

Nation's Business

USEFUL LOOK AHEAD

MAY 1963

BUDGET
CUTS
WOULD

BOOST
ECONOMY

PAGE 38

Growing issue: High cost of justice PAGE 78

Get your work done faster PAGE 58

Pressure grows for global price-fixing PAGE 34

Double standard builds union power PAGE 69



Jamesbury Corporation, Worcester, Massachusetts • Butler Builder: New England Erecting Company, Inc., Cochituate, Mass.



Beebe Industries, Inc., Beebe, Arkansas
Butler Builder: Brownlee & Rogers, Inc., Little Rock



Telechrome Manufacturing Company, Amityville, Long Island, New York
Butler Builder: System Structures Inc., Huntington Station, New York

Why more and more companies are switching to Butler pre-engineered plants

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BELL TELEPHONE SYSTEM



Nation's Business

May 1963 Vol. 51 No. 5

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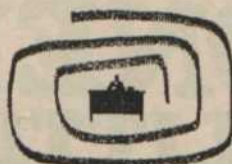
Sudden burst of energy at the right moment may be secret of success, rather than constant effort at the same pace

114 Washington slept here • 3

Washington is not renowned for economizing; but must it have a fatter city payroll than any other city of its size?

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
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WASHINGTON BUSINESS OUTLOOK

New business momentum shows up as May flowers follow spring showers.

More Americans than ever before have good jobs, money, credit, want and need for new and different goods and services.

Caution: Rosier prospects add up to less than full prosperity.

Improvement, yes. But next boom's not in sight.

Savings trend hints kind of market salesmen will face in coming months.

Informed guesstimate:

Personal savings will top \$27 billion this year. Highest ever.

Chart shows how that compares.

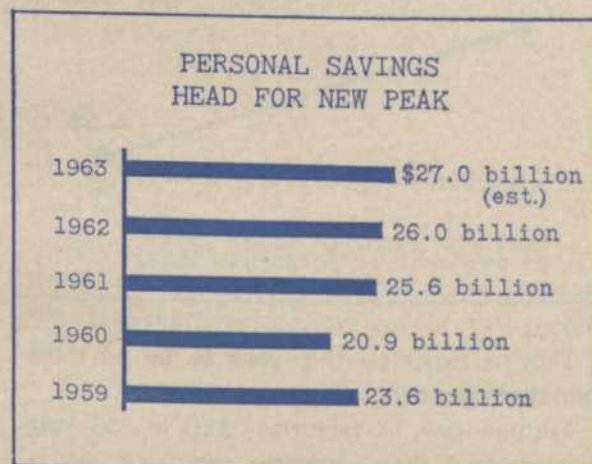
On personal basis Americans are expected to put aside about \$68 out of each \$1,000 in pay envelopes.

To you as business executive this indicates buyer conservatism, means harder selling will be needed to get your customers to spend more. Americans are not in wild-spending mood.

Slow rise in consumer credit confirms this trend.

Customers pick and choose, buy carefully, make sure they're getting money's worth.

Premium's on quality goods and good salesmanship.



Congress will remove some of the drag now holding back U. S. growth rate.

That's most likely action as viewed from Capitol Hill at this time.

Congress probably will cut both personal and corporate tax rates, enact few changes of the kind proposed by White House that would only rearrange or add to taxes for middle-income families.

Anticipate new tax action this month. Members of tax-writing House Ways and Means Committee are expected to reach agreement on proposal they'll submit for vote.

Two things about it:

1. Committeemen are trying to make it less controversial than White House tax plan.

2. Once bill is introduced, watch for parliamentary move to limit debate and sidetrack amendments in House of Representatives.

That'll bring howls of opposition.

Also means you can expect free-for-all tax battle in Senate.

Final action still months away.

What impact would tax cuts have on general outlook?

Or no tax cuts this year?

Quite a difference, according to company economists questioned by Nation's Business.

For example, here's the view of a leading business economist and forecaster—Ernst A. Dauer, Household Finance Corporation:

"Business will improve, in my opinion, at a modest rate throughout 1963.

"This assumes there will be no tax cut nor a protracted steel strike."

He assumes as well that union negotiations with the steel industry won't lead to such a buildup of inventory as to disrupt the course of business seriously, as it did several years ago when strike was threatened.

Forecast is based on strength of consumer

spending, particularly for durable goods, and on surveys of consumer spending attitudes.

He thinks also that businessmen will boost capital expenditures by several per cent.

And if there's a tax cut?

In that case you can count on a speedup of business activity.

This, he points out, would result in increased spending both by consumers and businessmen.

Clearly, he says, tax cuts would be a strong stimulant.

Way to boost economic growth is to encourage job-creating capital investment, another leading business economist points out.

This is main lagging area of economy.

Administration's tax proposal primarily would benefit low-income families. Theory is that, by pumping up purchasing power by higher government spending and low-income tax cuts, demand can be increased, production pushed up to revive business investment.

Will it?

This economist thinks not.

It's more likely that Administration's tax program would add too little to buying power.

"Amount that trickles up to encourage investments won't do the trick," he says.

Simple and direct thing to do would be to increase the incentive to invest by cutting corporate tax rate, by cutting taxes for families in middle-income range who "urgently need tax relief," and by cutting taxes for low-income families as well.

"The present system dulls the incentives of rising executives, professional people and small business managers."

What to do about profits—that's key question businessmen face.

Here's why:

Earnings moved up encouragingly last year but improvement stopped way short of expecta-

tions. Profits now are limping along on a plateau.

Costs keep rising. Prices are relatively stable.

Total production of goods and services is expected to go up about \$25 billion—without worthwhile profit improvement this year for most industries.

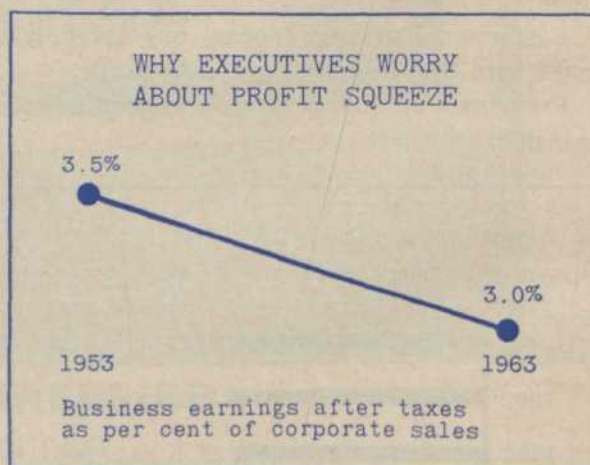
"Lack of growth in business investments," says William F. Butler, vice president of the Chase Manhattan Bank of New York, "reflects a sharp squeeze on profit margins after 1955."

Earnings after taxes, as related to volume of goods and services, have declined 15 per cent in the past six years.

"One analyst has calculated," Mr. Butler points out, "that the rate of return on all new investment in plant and equipment since 1957 works out to three per cent—substantially less than the return available on a savings deposit."

What's happening to profits is shown on chart below.

As per cent of corporate sales, business earnings continue to decline.



They're expected this year to be no more than three per cent.

Average pay in factories—\$70 in '53—will be close to \$100 a week this year.

WASHINGTON BUSINESS OUTLOOK

Spending proposals will be cut. There's strong sentiment on both sides of political aisle to do this.

Here are future fiscal facts:

Administration proposes to spend \$99 billion during year that starts two months from now.

But Administration wants congressional okay for \$108 billion new obligation authority.

New obligation authority is budgetese that means higher spending ahead.

So economy-minded congressmen will work hard on this figure.

May chop off as much as \$10 billion.

That'll hold up some spending programs, too soon to tell how much.

What'll budget cuts do for business? See page 38 for analysis—how dollars spent by consumers mean more to creation of new jobs than tax money spent by Uncle Sam.

Riddle: Number of people graduating from college is going up. Larger crop of diploma holders coming along next year.

But company personnel men prowling campuses in search of manpower find limited supply in many areas.

Why?

More young people are staying in school beyond graduation to work on advanced degrees.

Implications for business are detailed on page 14.

U. S. economy is doing better than numbers tell you.

New studies under way now indicate U. S. produced about \$3 billion more goods and services last year than current government records show.

Figures will also be lifted for production this year.

One reason for change is fact that more new

homes are being built than are being counted.

Watch for official announcement by Commerce Department within couple of months.

What's long-term outlook for business?

Research shows probability of faster growth rate in next decade or so, big improvement in living standards, many new kinds of goods and services.

Future also will bring many new challenges for business executives.

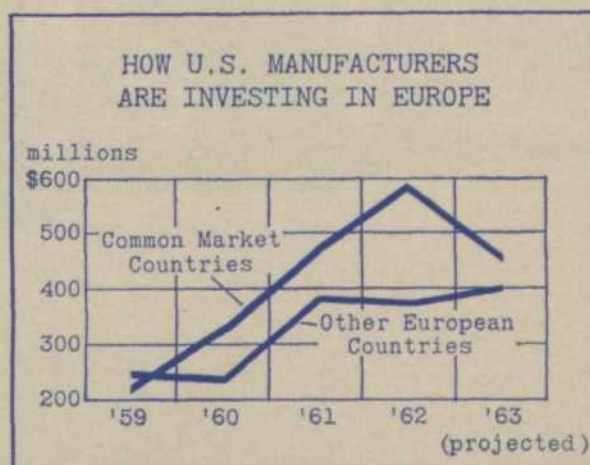
That's view of long-range planning specialist Paul J. Lovewell of Stanford Research Institute. Details on page 31.

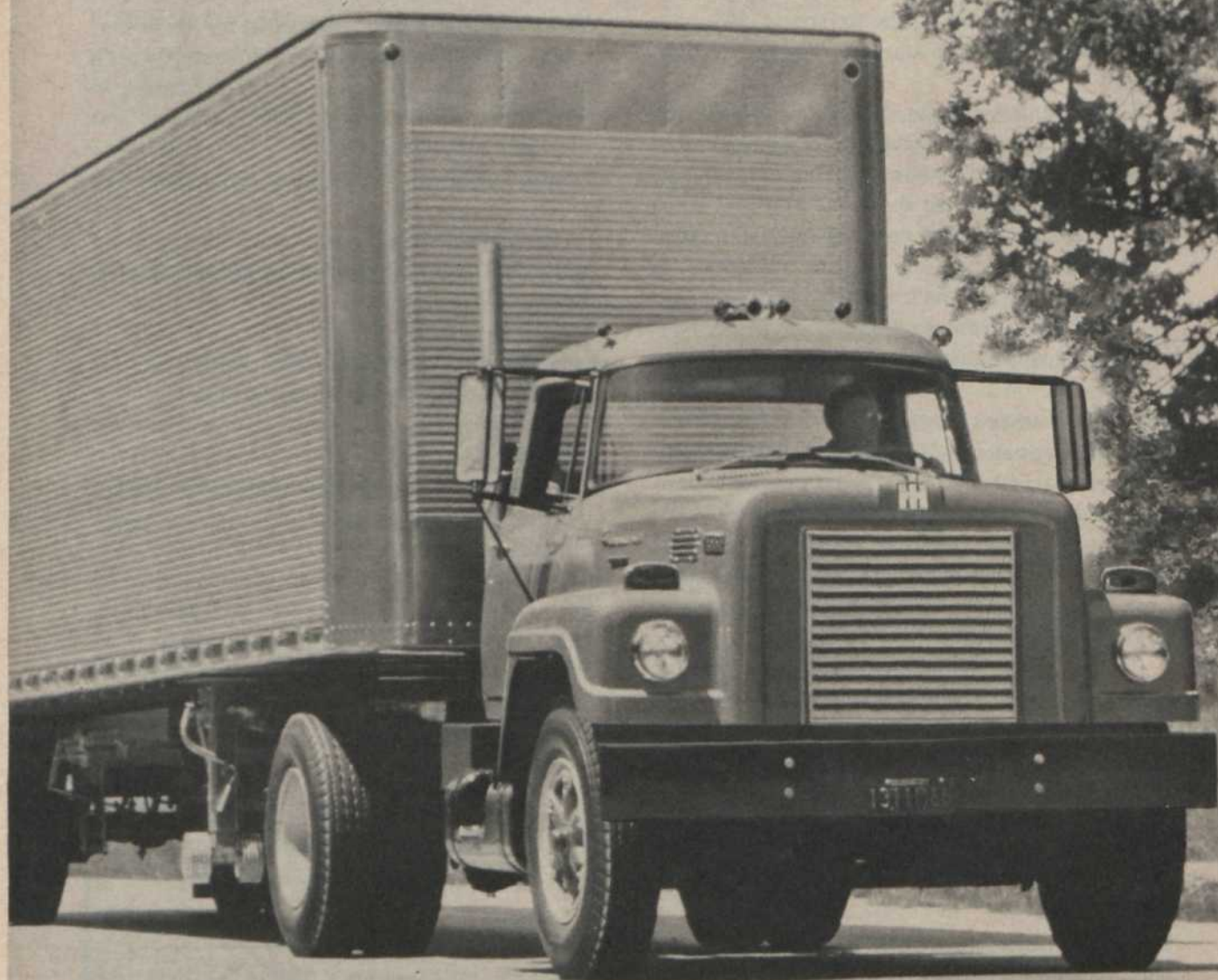
Americans in Europe are getting set for expanding world market opportunities.

Trend shows up in new plant investment by U. S. manufacturing companies.

Biggest sums are going into Common Market countries. But investment in other European countries is climbing fast.

Note from chart that rate of investment is slowing up in Common Market this year. This reflects decline from surge of investment in past couple of years. New survey months from now is expected to show that actual spending will exceed plans.





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FLEETSTAR 1900 SERIES 2000

THE NEW INTERNATIONAL SERIES IN THE 50,000-79,000 LB. GCW CLASS THAT'S DESIGNED TO INCREASE PAYLOAD CAPACITY WITHOUT INCREASING YOUR TRUCK COST.

The 92-in. BBC dimension lets you haul square-nosed 40-ft. trailers in 50-ft. legal limit states without sacrificing driver comfort. And the weight-saving design—lightweight chassis components, fiberglass hood and fen-

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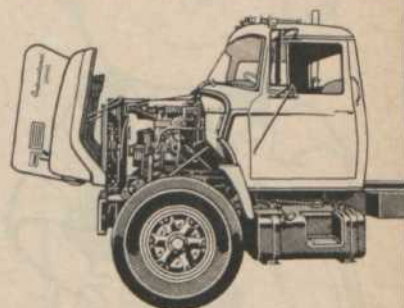
Braided Vinyl-Coated Harness Wrap is much stronger, more durable and heat-resistant than cotton braided or tape-wrapped wiring harnesses.

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der assembly—takes the excess weight out of the tractor so you can put more into the payload.

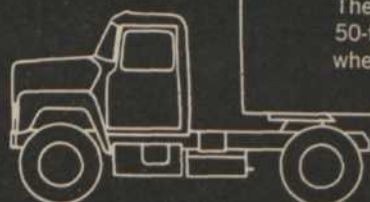
Everything about the FLEETSTAR is engineered to save you money. The forward-tilting hood and fender assembly makes it easy for the mechanic to get at the engine for fast servicing. Take your choice of eight efficient engines. The roomy conventional cab is planned for peak driver performance.

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Business opinion:

European borrowing keeps payments deficit high

"EUROPE'S COMPETITIVE THREAT Will Ease" [March], a timely article, omitted only one significant point. That is, that the top-heavy investment capital of which it speaks is primarily short-term local financing. European management has long had to suffer this inadequate financing or has had to revert to borrowing from the American money market—which as a point of fact has created an additional burden on the United States balance of payments.

So long as the only major source of long-term credits remains in the United States, it is apparent that the balance of payments deficit will only moderately decline—all other factors held constant. Which leads to the conclusion that within those delicate mechanisms is a self-adjusting factor which will leave the U. S. to continue at a disadvantage and, for the present, with a deficit of payments and a faint hope of reaching a surplus position.

WALTER C. SWENSON, JR.
Boston, Mass.

►The mention of capital investment that "has become top-heavy in some lines" referred to existing factories that have overspent for modernization and now find it hard to earn a reasonable return on the money they cost. But Mr. Swenson's point—on a different, but related, problem—is well taken. If Europe tries to raise its future long-term capital needs over here, it will put continuing pressure on our balance of payments. So U. S. officials are trying to discourage this without going so far as an outright ban on such borrowing.

Why people forgo freedom

Thank you for bringing to the attention of your readers Dr. Helmut Schoeck's fine appraisal of socialized health schemes [March].

It's difficult to grasp why any

individual would forgo his freedom and liberty to just get something "free"—as is the case with any nationalized health system. As Dr. Schoeck's common sense article states "... there is no 'free' medical care."

ROBERT WILSON
Executive secretary
Ohio Academy of General Practice
Columbus, Ohio

Dr. Bush's analysis

I have just finished reading "We're Moving Deeper into Welfare State," in the March issue of your magazine. Vannevar Bush's rational analysis of the situation is really excellent.

AL WEINERT, JR.
Vice president
Drake Steel Supply Co.
Los Angeles, Calif.

Observations add up

Your staff did an excellent job in preparing and organizing the materials in "New Findings Will Improve Your Decisions" [March]. As one of the persons interviewed, I feel my observations were integrated with others in a way which became considerably more meaningful than what each of us would have been able to do individually. I consider this a useful function, not only for your readers in business organizations, but to social scientists as well.

HOLLIS W. PETER
Director
Foundation for Research on
Human Behavior
Ann Arbor, Mich.

1,500 managers speak

Thought you'd be interested to know that a review of "How to Measure Maturity" [February] in our management publication generated reprint requests from over 1,500 of our management personnel.

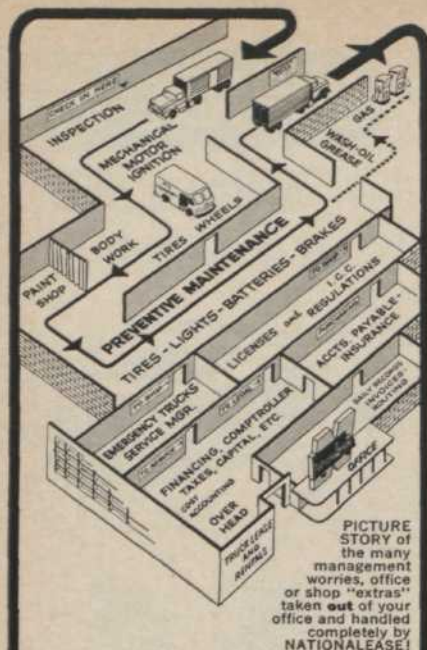
JAROLD R. NIVEN
Management development
research chief
The Boeing Company
Seattle, Wash.



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Executive Trends

- Big demand for June grads
- Career hints you can use
- How much drive is too much?

Next month's college graduates—many of them already signed up by companies—will find they are much wanted by business and industry.

Demand is particularly heavy in technological specialties and science, two areas which for years have been consuming high-talent manpower as fast as the nation's universities and colleges can turn it out.

Key university placement officials say recruitment of the June crop has been brisk. Salary offers are ranging higher than a year ago.

One placement authority, Dr. Frank S. Endicott of Northwestern University, says more employers are hiring women graduates with bachelor's degrees, particularly if the young ladies have special skills in mathematics-statistics, secretarial courses or chemistry. He also notes rising demand for young people with master's degrees and a trend toward preference for business school education in graduates who aspire to move up in general management.

Note: Research among company recruiters at one university shows that sons of laboring class families tend to be less preferred than other graduates if they hold only a bachelor's degree. But if they hold higher degrees the recruiters generally ignore or are unable to distinguish social background.

Says a university spokesman: "The laborer's son graduating with only a baccalaureate degree is less attractive to company recruiters, not primarily because of his background, but because he is considered to lack, as the talent hunters put it, 'the maturity, poise, personality and ap-

pearance' needed to fit into the executive cadet corps."

• • •

Trends show increasing number of college graduates.

Here's official government estimate for 1963:

Bachelor and first professional degrees—440,000.

Master's and second professional degrees—83,700.

Doctorates—12,300.

Number of graduates in all three of these categories is up from last year. A further rise is forecast for 1964.

What's the outlook for engineers? Government estimates are that 34,517 engineers will receive their first degrees in 1965. That's down from 37,800 in 1960. In 1975, according to estimates, crop of first-degree engineers will exceed 47,000.

• • •

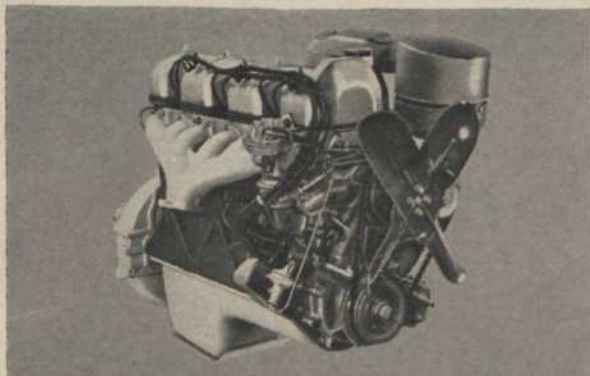
Business faces increasing competition from graduate schools in its efforts to recruit the brightest members of the current college population.

More and more graduates with bachelor's degrees are going on to obtain master's and doctoral degrees. Result: Many firms, on the lookout for the ablest minds, have to wait two or three years for a student to complete his graduate education.

Item: Is campus recruiting an indicator of business expectations? Many recruiters, placement officers believe it is. They say some companies will cancel their campus interviews, or curtail them, if they feel a recession is on the way. There have been few cancellations this

now,
see why
they call it
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beautiful brute



New Tornado-OHC. America's only OverHead Cam automotive engine gives more horsepower on less gas than any other production engine. Low hood height means you don't need a stepladder to service this engine. And all the accessories are up front where you can reach them.



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A single lever puts you in 4-wheel drive or 2. No more nest of levers to clutter the floor!



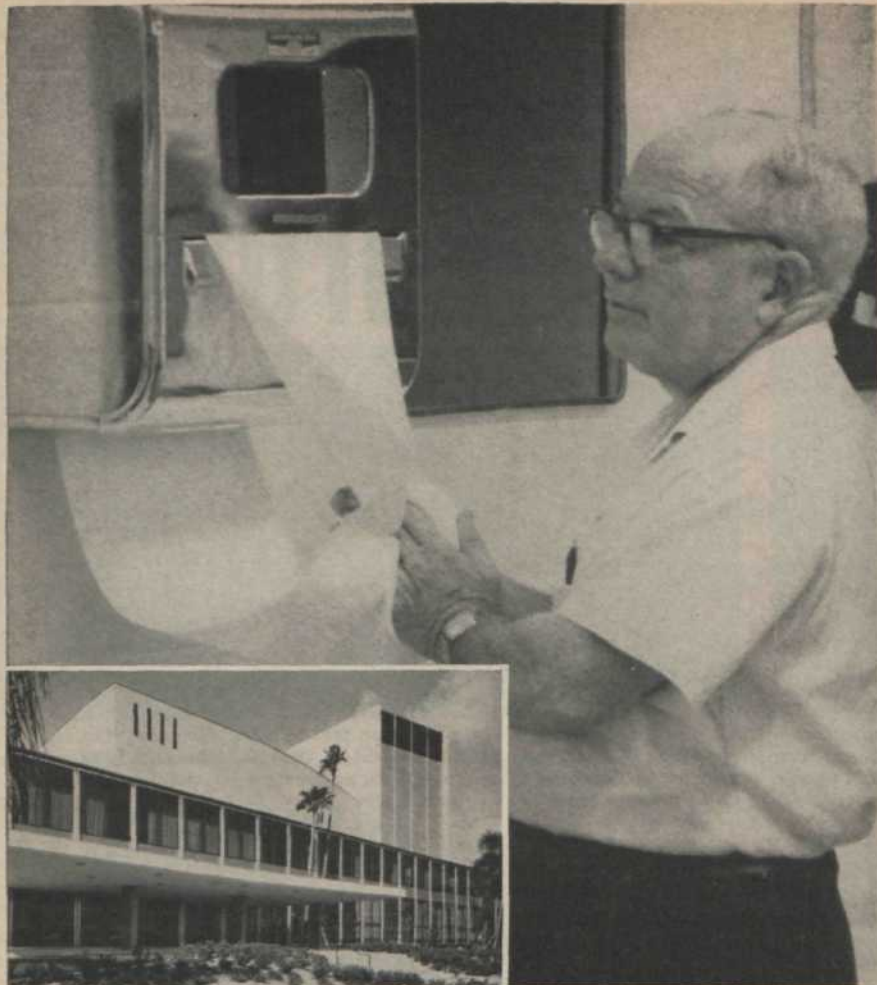
Easy to Enter. The cab is just a short step up. Doors open a wide 82 degrees. And traditionally high ground clearance is now combined with low loading height (27.69"). So there's less work to loading or unloading the Gladiator than other 4-wheel drive trucks.



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Cotton steals the show at Jacksonville's new Civic Auditorium

In architecture, spirit and service, the new Jacksonville (Fla.) Civic Auditorium looks ahead. Largest ever built south of Philadelphia, it offers an exhibition hall, an auditorium and a theatre with total seating capacity of nearly 6,000. And—cotton toweling is used in all its washrooms. The benefits are unmistakable: neater, uncluttered washrooms, less danger of plumbing stoppage, and reduced fire hazard. The superior level of sanitation results in improved public relations, too. And it's so easy to take advantage of this service. Cotton towel delivery is always prompt, the cost is low...and you need no storage space. Why not find out how cotton toweling can benefit you? For free booklet, write Fairfax, Dept. P-5, 111 W. 40th St., New York 18, N. Y.

Here's How Linen Supply Works...

You buy nothing! Your linen supply dealer furnishes everything at low service cost—cabinets, pickup and delivery, automatic supply of freshly laundered towels and uniforms. Quantities can be increased or decreased on short notice. Just look up LINEN SUPPLY or TOWEL SUPPLY in your classified telephone book.



CLEAN COTTON TOWELS...SURE SIGN OF GOOD MANAGEMENT

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EXECUTIVE TRENDS

continued

spring. In fact, in many areas recruiting has risen to record proportions.

• • •

Here are career hints from one of the world's most highly respected authorities on administration:

If you want to rise in general management don't oversupervise your people. There's a marked trend toward more specialization of personnel and it is unlikely that you, as a generalist, could master all the know-how of specialists reporting to you.

Learn enough to be able to understand what the specialists are talking about, but concentrate on coordinating their work.

Constantly sharpen your proficiency in communication.

Don't worry about the techniques of management. You will pick these up much faster and more surely by applying them in practice.

Lay a sound, if elementary, foundation in the basic disciplines you'll need in the future: the physical sciences leading to engineering, the biological sciences leading to individual psychology, and the behavioral sciences leading to economics, sociology and political science.

The authority who recommends these steps is Lt. Col. Lyndall F. Urwick, chairman of Urwick, Orr & Partners, Ltd., management consultants headquartered in Great Britain.

• • •

How much drive is too much?

This question is engaging the attention of business leaders and health authorities alike.

Here's why:

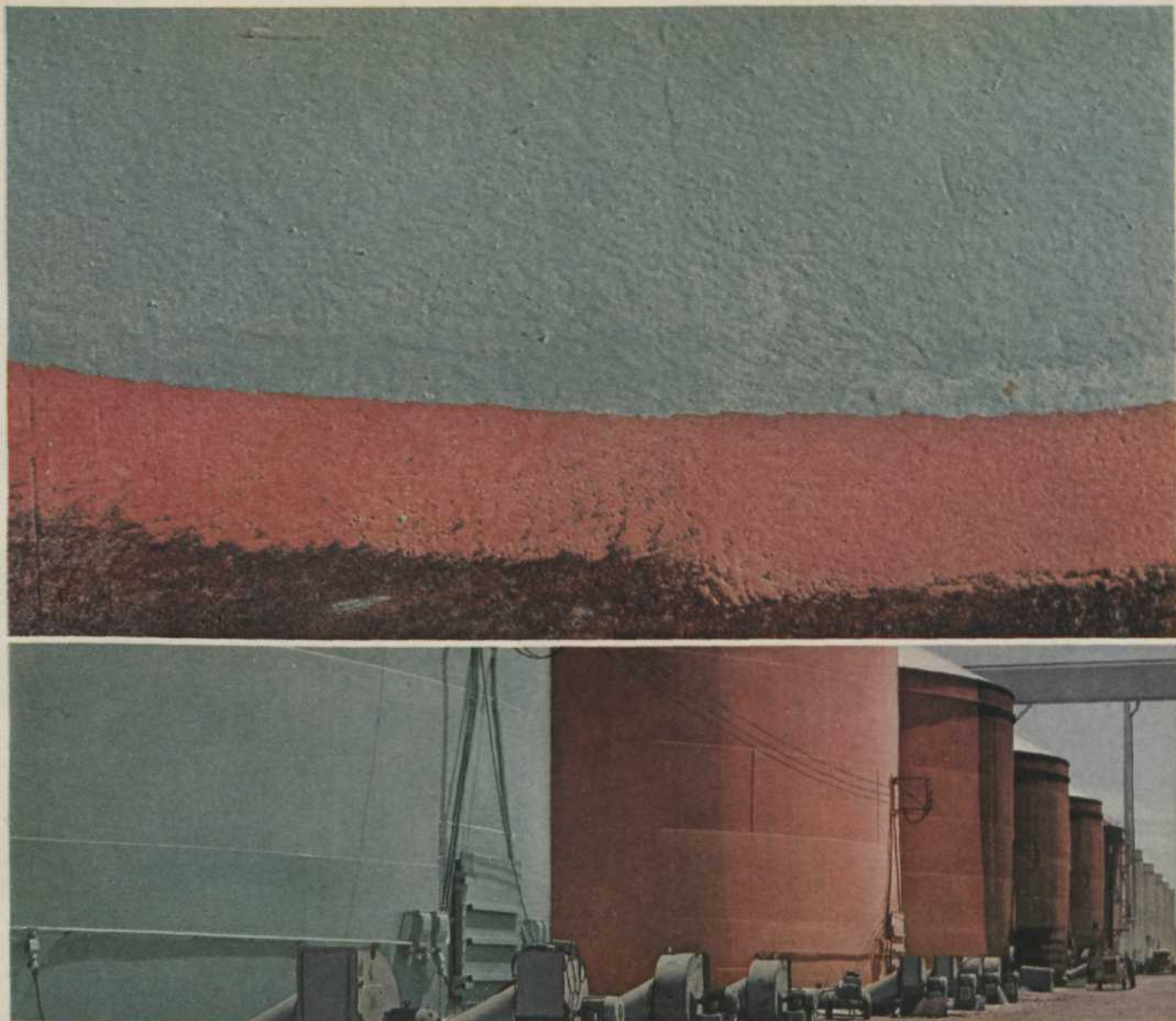
American companies are operating in a period when able managers are in undersupply. Each man who drives himself to collapse, or even death, compounds the scarcity even more, not to mention the tragic impact which a breakdown or death can have on an individual's family, friends, community.

A prominent industrial psychologist, Dr. Harry Levinson, was invited by NATION'S BUSINESS to discuss the question of when a manager's drive becomes excessive or unhealthy.

"One of the most important questions any businessman can ask himself," Dr. Levinson replied, "is

(continued on page 21)

COLORED ALUMINUM PAINT MADE WITH PIGMENTS FROM ALCOA



Perry & Derrick's two steps to beauty and protection

Amazing, what a difference Perry & Derrick's colored aluminum paint made on *The Andersons'* 22 grain tanks at Maumee, Ohio. Above, you see an actual tank section photographed during application—original weathered surface, then rust-inhibitive primer, followed by a finish coat of P&D Stay Bright green aluminum.

Here's what *The Andersons* got for their investment: 1) tight, weatherproof seal, 2) reflective surface, 3) cooler tank interiors and 4) bright, uniform color throughout. Made with Alcoa® Pigments by Perry & Derrick Paint Co., Cincinnati, Ohio, P&D Stay Bright colored aluminum is recommended for most roof and siding surfaces.

Aluminum paints like this resist corrosion, stand up to the elements season after season. Colors will not fade—in fact, they usually increase in brilliance as the coating weathers. Apply with brush, roller or heavy-duty spray equipment. But first, ask for a quality brand made with Alcoa Pigments.

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The people at Chase Manhattan speak up

George Champion and David Rockefeller,
Chairman and President of New York's
largest bank, give their views
on the theme and purpose of the
New York World's Fair



David Rockefeller standing, George Champion seated. Photographed in the Chairman's office by Mark Shaw.

on World Peace Through Understanding

Our bank wishes the New York World's Fair success beyond even expectation.

Global-minded and global operative as we are, we put deep trust in the dream of international peace. We believe that free men in free nations can come to know one another and trade together so interdependently that the classic causes of armed conflict will ultimately become extinct.

Perhaps we cannot, in our time, educate away the suspicions and superstitions that keep free men living in free

economies apart. But we can keep everlastingly at the task, remembering always the difference between the patronage that stoops down and the fellowship that uplifts.

We pray that Peace Through Understanding will be accomplished in the world one day. And we are certain that the global impact of the New York World's Fair theme will give material aid to the prayer of all mankind.

THE CHASE MANHATTAN BANK



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The new IBM Selectric™ Typewriter was 15 years in the making. Only the most advanced research made this major breakthrough in office technology possible. This new kind of typewriter has no typebars, no moving paper carriage. It types with a single printing element which can be changed in seconds to adapt type styles to many applications. Developed and engineered to meet the demand for faster business communications, the IBM Selectric is the typewriter that puts the future at your finger tips today.

IBM.

EXECUTIVE TRENDS

continued

whether he is doing what he does because of the pleasure it gives him or because he feels compelled to do so. If he feels guilt and uneasiness because he is not doing it, then that drive is not healthy."

Dr. Levinson, director of the division of industrial mental health of The Menninger Foundation, holds that the man with a neurotic degree of drive "keeps pushing and pushing and pushing without clear goals or without ever knowing why, within himself, he is pushing so hard.

"When a man whiplashes himself to get things done, then he makes unnecessary sacrifices of himself," Dr. Levinson points out. "It's better to do what you need to do, to master problems or innovate, or carry on activities, then to stop when you feel tired or when you want to shift your attention to other things which give you pleasure. This is flexibility. There is no flexibility in the man with compulsive drive, and flexibility is one of the hallmarks of mental health."

• • •

If you think you have problems, consider the plight of the management consultant who has to call in a consultant to help him straighten out his consulting.

D'Orsey Hurst, a New York consultant to consultants, says this arises more often than many people realize.

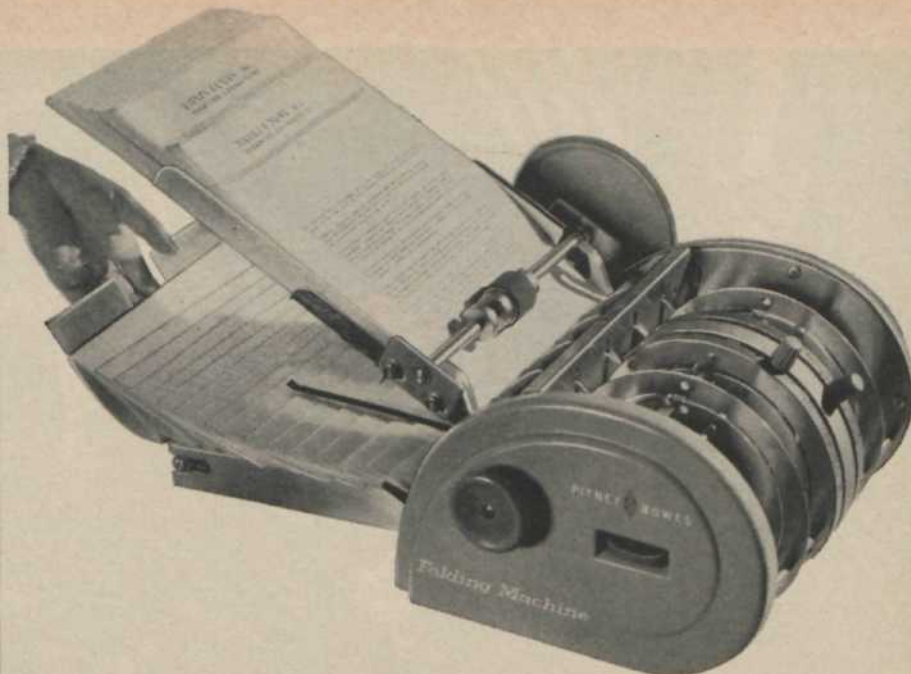
"Management consultants who sell advice and objectivity to their clients sometimes find that they need these same elements themselves," Mr. Hurst explains. He and his associates advise management consultants on such problems as long-range planning, staffing, compensation plans for partners. His company also advises consulting engineers, architectural firms and other organizations in the fast-growing field of services to business.

Does a consultant to consultants ever need a consultant? Yes, Mr. Hurst admits. Where does he get help? From outside business acquaintances with special knowledge and the ability—because they are outside—to offer an objective appraisal.

• • •

Crack overheard at a recent conference:

"The trouble with retirement is that it's wasted on old people."



"Surprising how many jobs we find for this PB Folder" said the man who didn't want one!

"My partner put one in while I was out of town. I thought he was off his rocker. Then I noticed the machine was getting a workout six or seven times a day. Each job takes only a few minutes. Form letters, invoices, spec sheets, bulletins, etc. My secretary even runs outgoing letters through it. It's more than paid for itself in a few weeks."

The Pitney-Bowes Model FH with automatic feed (shown above) puts two folds in up to 6,000 sheets an hour. Makes eight basic folds. Even folds stapled or multiple sheets.

It's easy to set—just move two knobs on inch scales for the fold sizes wanted. It's easy to operate. It handles most standard papers, in sizes as large as 8½ by 14 inches, as small as 3 by 3. Can be coupled with the PB Model 3300

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"I'VE BEEN IN BUSINESS, and I know Pennsylvania is a good idea," says Governor Bill Scranton. Here he joins with State Senate Majority Leader James S. Berger, Senate Minority Leader Charles R. Weiner, and Commerce Secretary John K. Tabor in telling the New Pennsylvania Story.

Governor Bill Scranton says:

"You'll like the New Pennsylvania!"

"We want your company in the new Pennsylvania. You'll find a warm welcome from people who understand the needs of growing industry and who want to see you prosper.

"Today, there's new spirit in Pennsylvania. It's based on the knowledge that business, not government, creates jobs, and that business must be able to operate profitably in a stable, wholesome, and cooperative environment.

"To our traditional foundation of steel-making, mining, textiles and transportation, we're adding the new growth industries, the new technology. And we're making it clear, every day, that the new Pennsylvania is a place

where government helps, not hinders, industries that want to grow and prosper.

"Of course, Pennsylvania can offer your company 100% plant financing, a state-aided job-training program, a favorable tax climate, every natural resource and the nation's prime market location.

"I'd like to tell you more about what we're doing now to build an even better Pennsylvania. Write to me at the State Capitol, Harrisburg, Pennsylvania."

Bill Scranton

The New Pennsylvania means business!

First Family has everything but privacy

BY MERRIMAN SMITH

THERE HAVE BEEN times recently when icy little breezes flickered through the snug walls of the New Frontier, making the settlers stir uneasily and cast anxious glances at the calendar.

Even errant drafts in May are supposed to be warm, but the aforementioned vapors have none of spring's gentleness for they blow from the future—1964.

What causes the Frontiersmen to be uneasy? For some, the cold little winds are transporting echoes and hints from the outlands of America; suggestions that perhaps the voters are being overexposed to the undeniable charms of President Kennedy and his family, their pets, friends, assorted dwellings and frightfully clever parties, pursuits and pastimes.

Allegories aside, and for that matter, political fidelity, too, the public has been getting a heady dose of the First Family and from just about every possible outlet of information or form of communication. Without attempting to be slide-rule scientific about it, no President since the early days of Franklin D. Roosevelt has been so thoroughly and constantly pushed as a public commodity. And the same goes for almost anybody who is at all close to President Kennedy.

This glut of articles, pictures, broadcasts and statements of and about the Kennedys is not entirely their fault. They are attractive and they do attractive things. Furthermore, they are glamorous and live glamorously, even beyond the expectedly resplendent trappings of the presidency.

In fairness to the chief executive and those around him, there are times when they weary of pinpoint and voluminous public attention. In such moments of disenchantment with their clippings they tend to blame the offending surplus on the media.

What seems to be needed or missing, as noted last month, is a hard-headed grasp of public relations. There will be friends of the family and advertising agency experts who disagree mightily with this theory,

but their opinions may not be as detached as the President's welfare might require.

One of the more astute authorities on politics and public reaction, and a truly bedrock supporter of most Kennedy policies, said to some friends in Washington the other day, "The best thing that could happen to the Kennedys would be for the Washington newspapers to come out for several days without a single word about a single member of the family. They've



White House sometimes has appearance of a zoo as crowds gather at fence for glimpse of its occupants

come to expect saturation exposure and if anything goes wrong, it is so easy to blame 'the press.'"

In their hard fight to win the White House, the Kennedys courted every possible outlet of information. Once in office, for a time they enjoyed the continuing attention. Today, some Frontiersmen do not understand why the President, Mrs. Kennedy, the children and other relatives cannot appear in print or on television when, where and how they choose.

As the talented writer, Alistair Cooke, observed recently in a magazine article, "The President's determination to mold his public face has set some forces in motion that are now clearly beyond his contrivance or his control." To understand what Mr. Cooke is talking about, one merely has to survey the

Merriman Smith is the White House reporter for United Press International.

lurid covers and pulpy content of many trash magazines currently on the stands. These heavy-breathing journals treat the First Family as they would stars of screen or stage.

The First Family at times seems to contribute to this sort of thing without knowing it. When Mrs. Kennedy was in Ravello last summer, she probably had no idea that in attempting to be nice to the Italian photographers, she gave certain European photo syndicates enough tight-slacks and hair-down pictures to last fan magazines of the world for a year.

On one weekend not long ago, readers of the nation could choose between a lengthy, intimate interview with Ethel Kennedy, wife of the attorney general; another one with Joan Kennedy, wife of the junior senator from Massachusetts, or a long syndicated article about the Kennedy life in Middleburg, Va. And a few days later, two of the nation's largest magazines came out with hunt country covers on the President's wife in gorgeous color, plus reams of accompanying pictures and textual material inside.

And during the same period, the President was all over the front pages with his various statements and actions; the attorney general was busily—and publicly—denouncing lawbreakers; Press Secretary Pierre Salinger was trying to generate interest in hiking.

If this were an isolated weekend, it could be dismissed as a freak of purely coincidental publication schedules. But it wasn't. This sort of thing goes on all the time and seems to increase.



There was another somewhat unfortunate phase of White House and/or Administration public relations. After the Russian missile crisis in Cuba last October, the Administration made what at the time seemed to be a most commendable effort to see to it that readers, viewers and listeners of the nation were given a relatively detailed picture of the background.

Some of those involved obviously did not see eye-ball-to-eye-ball, as the Frontier saying goes, with some of the authorized, background versions and saw to it that independent accounts were published or broadcast. This led to a certain amount of confusion and in some areas of the public it must have seemed that a great deal of disagreement was at hand.

In fact, the situation led Alistair Cooke, who is ordinarily a restrained and perceptive journalist, to predict ominously:

"Mr. Kennedy will be lucky if a year from now the Cabinet and the Security Council are not wracked with vendettas, if the press corps is not irked by the revelation of privileged buddies and if the actual record of how and why the Administration behaved at crucial times is not more scrambled than usual or more frequently rewritten by hindsight."

Perhaps this is an extreme view, but the shadow of possibility is sufficiently sharp to warrant quotation.

As for vendettas within the Cabinet or National Security Council, should they start to develop, Mr. Kennedy can cope with the situation. Simply, too.

Fire the daylights out of a policy official who spreads family differences upon the public record.

This is not to advocate withholding information from the public. There's enough fear of that now. But the pursuit of a neat and forceful image for public consumption should not be an excuse for carrying weak sisters in the government lest firing them make the leader appear guilty of having selected a poor man for the job in the first place.

Time and history will tell whether Mr. Kennedy is kindly or overly conscious of a team image, but he's not the firing type. Oh, to be sure, he can become sulphurously angry; he is entirely capable of a crashing, head-on conflict. But he goes at times to incredible lengths to keep this side of himself away from the public. And this on occasion could be poor public relations.

He shuns any appearance of excess. His favorite image is well ordered, civil, controlled wisdom, a young man with a much older man's sense of deliberation and careful action. Yet, this same man will encourage or tolerate a certain amount of cuteness within the presidency. Witness cancellation of the White House subscriptions to the New York *Herald Tribune*. This was cute, not forceful; slick, but not frontal.

Political opponents may feel quite differently, but Mr. Kennedy in personal life is a modest man. Although he could easily afford it, he's never owned a Rolls-Royce. Yet, some of his guests have been known to rent them for a call at the White House.

The President for the most part is soft-spoken and not given to personal bragging, unless it involves the accomplishments of his Administration and of this any political leader is guilty. Yet, Mr. Kennedy has some close personal friends who regard the White House almost as if they were elected to live in it; one or two bursting-with-pride hangers-on who blab and name-drop obnoxiously; who think they impress New York salons enormously by telephoning "Jack" at all hours (or, at least, pretending to do so).

This sort of superficial mouthing can be ruinous public relations. If the Kennedys do not like reading about their private parties running until after 5 a.m. and how gay it was for the First Lady to steer a group of guests to the swimming pool at some awful pre-dawn hour, perhaps they might take another look at their dear friends who raced out of 1600 Pennsylvania Avenue in search of an audience.



Perhaps, in the quest for a durable image of high dignity and imperishable respect, a First Family might have to forgo some of the pleasures which seemed so normal before they were elevated to the nation's highest leadership. The White House is a stiff and constricting place in which to live.

The public has a certain property right in the presidency, but it does not extend to turning the White House into a zoo with the occupants always viewable behind the black iron fence. The residents of 1600 Pennsylvania Avenue, in turn, might help themselves by periodically and deliberately staying indoors and doing absolutely nothing.

Except, of course, working a 15-hour day.

How high is your calculator's I.Q.?

We suggest that careful management should explore a calculator's I.Q. (Internal Quality) just as importantly as they often explore a key employee's I.Q. (Intelligence Quotient) to predetermine qualifications for dependable on-the-job performance.



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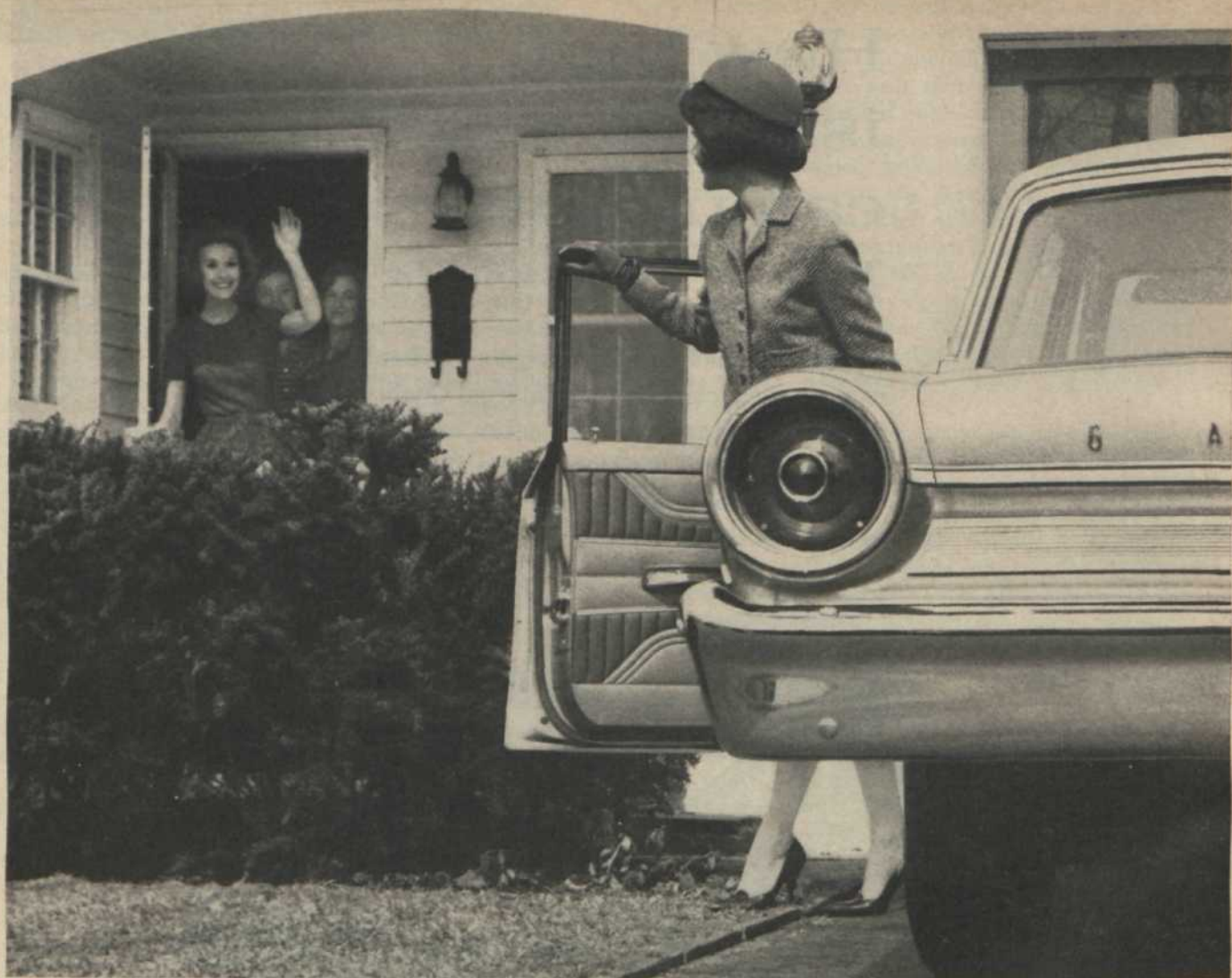
And Victor is the only calculator designed for true touch system operation . . . so simple you can use it in the dark! Is it any wonder, then, that Victor's "High I.Q." Calculator is the choice of one out of every two printing calculator buyers today?

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**AUTHORIZED
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Either Court or Constitution is wrong on election rules

BY FELIX MORLEY

THAT THE SUPREME COURT is "asserting destructively novel judicial power" was the highly disturbing charge made publicly by one of its most distinguished members—Mr. Justice Frankfurter—in his last opinion before retirement.

This forthright condemnation was indeed the basis of Justice Frankfurter's hard-hitting dissent, thirteen months ago, in *Baker v. Carr*, the now historic case demanding a more equitable reapportionment of the Tennessee legislature.

"There is not, as there has never been," the Justice then said, "a standard by which the place of equality as a factor in apportionment can be measured." Disputes over the apportioning of legislative representation, he explained, are essentially political issues which are not amenable to the judicial process. "It will," he predicted, "add a virulent source of friction and tension in federal-state relations to embroil the federal judiciary in them."

That solemn warning has proved all too well justified. During the past year nearly every State legislature has been involved in endless reapportionment tangles. When the Supreme Court opened its present term the docket was already cluttered with a dozen electoral cases.

Moreover, the major one of these disposed of this spring, declaring Georgia's county unit voting system unconstitutional, has done nothing to eliminate the tension between novel judicial theories and long-established local political procedures. Instead it has intensified the breach by defining the doctrine of "one person, one vote" as established national practice.

With this equalitarian conception as a democratic ideal there can be no quarrel. The trouble is that, if followed through logically, the theory would completely alter our system of government. It would, for instance, make impossible the election of a President by the methods currently in force.

The Court, over Justice Harlan's dissent, asserts in the Georgia case that: "Within a given constituency

there can be room for but a single constitutional rule—one voter, one vote." But it is extremely difficult to reconcile that dogma with the specific provisions of the Constitution for the indirect election of the President, actually chosen by state electors who customarily cast the entire vote of their constituencies as a unit.

In the last presidential election, to illustrate, Nixon received all of California's 32 electoral votes although the popular vote in that state was almost evenly divided—3,259,722 for the Republican and 3,224,099 for the Democratic candidate. Although this Democratic minority was more than 49 per cent of the total California vote it was still a minority. Therefore, under the unit rule, Kennedy did not obtain a single one of the only votes that really counted—those cast by the 32 electors.

The State of Georgia, in argument now overruled



Supreme Court building, towering over neighboring homes, symbolizes Court's vast power over citizens

by the Supreme Court, contended that its system of electing a governor, by county unit voting, is essentially that employed by the States when they cast unit electoral votes in presidential elections. How then, it was reasonably asked, can a system clearly constitutional for the nation as a whole be deemed

TRENDS: STATE OF THE NATION

unconstitutional when adopted by a State? The Court answered this difficult question by brushing it aside. The electoral college system, said Justice Douglas in a footnote, "belongs to a bygone day," which seems a little strong since it is now being dusted off for use in 1964. On the opposite side the retort of Justice Harlan, in his impressive dissenting opinion, was equally tart: "I do not understand how . . . a court of law can say, except by judicial fiat, that these disparities are in themselves constitutionally invidious."

It must be emphasized that the desirability of a particular election procedure is not the issue. Few would argue that the unit-voting system is ideal in either statewide or nationwide elections. In this column it has frequently been argued that electoral college procedure should be democratized so that the effective vote in presidential elections will bear a closer relationship to the preliminary popular vote.

The issue which the Supreme Court is steadily sharpening is not whether reform is desirable, but who should initiate it under our constitutional system. Here there can be only one answer. Reform should not be by "judicial fiat," but by the demonstrated will of the sovereign people, expressed in the first place by congressional action and eventually, if necessary, by forthright Constitutional Amendment.



Because the Congress has not seen fit to act, in various fields where reform is urged, the Supreme Court in recent years has been moving steadily to establish itself as the active agency of change. It is, in the words of one approving commentator, "taking up the role of conscience to the country." Inevitably this means that the Court is becoming less judicial and more partisan. A pronounced alteration in the character of the majority opinions reflects this change. They are no longer closely reasoned judgments, but rather flimsy sociological tracts.

This strongly marked trend is not limited to any single aspect of American life. In public education, without any congressional mandate on the subject, the Court has since 1954 insisted that racial integration shall be regarded as "the law of the land." In religious observance, also without any legislative intervention, the doctrine that any formal recognition of God should be excluded from state-supported schools has been advanced. In political procedure a concept of arithmetical equality in voting is steadily pressed, again without any prior legislative indorsement. All these lines of regimentation strike at the basic concept of a federal republic.

In its aggressive course the Court has frequently flatly overruled its own previous decisions. It even "flies in the face of history," to use the strong criticism voiced by Justice Harlan in his dissent on the Georgia case. The principle of "one person, one vote," for instance, is a relatively recent development in American political thinking, running counter not only to the theory of the electoral college but also to that

on which the U. S. Senate is based.

Uneasiness about the implications of many recent decisions is intensified by the outspoken criticism which comes from conscientious jurists in every section of the country. It is heard wherever lawyers foregather. An illustration is the picturesque phrase used recently by the Hon. William L. Henderson, a veteran member of the Maryland Court of Appeals: "The Supreme Court presses on towards the New Frontier, leaving a trail littered by the bleached skulls of worn-out opinions."

Anxiety is compounded by the technique which the Court employs in deeply controversial cases. The majority opinions are more and more arbitrary, less and less constitutional, in argument which is often intellectually threadbare.

Habitually invoked is that clause in the Fourteenth Amendment which says that: "No State shall . . . deny to any person within its jurisdiction the equal protection of the laws."

The clear intent of this safeguard was fantastically stretched when the Court argued, in the Georgia case, that "equal protection" was denied because "one resident in Echols County had an influence in the nomination of candidates equivalent to 99 residents of Fulton County." What, one is inclined to ask, does that have to do with the price of eggs?

If "equal protection of the law" means that one vote should never count more than another, the Congress had better get busy on revising the rules for next year's presidential election. We have noted the failure of three and a quarter million California Democrats to get even one electoral vote from that State in 1960. But the deprivation is majestically impartial. In Delaware, in 1960, 99,590 Kennedy voters obtained that state's three electoral votes while 96,373 Nixon voters got none.

This means that a Democratic voter in Delaware had not merely 99 times the political influence of one in California, but almost infinitely more. By inference the Court would seem to be questioning the constitutionality of the whole election.



The Supreme Court's self-embroilment in essentially political issues is certainly bringing more than enough of that "friction and tension" foreseen by Justice Frankfurter's perceptive mind more than a year ago. In their sessions just closed several State legislatures sullenly refused to enact reapportionment bills drafted to meet the Court's formula.

In such cases there is now an implicit obligation for the federal judiciary to step in and jigsaw election districts in arithmetically exact proportions. Even if the problem were theoretically soluble it would be one for which most jurists have neither training, talent, time nor taste.

It may be conceded, though the case is arguable, that some changes for the better have been brought by the exercise of that "destructively novel judicial power" which Justice Frankfurter, and many another, finds so questionable. But any such advances have been at the expense of the balance and stability which have made our system of government, whatever its faults, the admiration of all other countries.

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From end to beginning.

Coming: faster business growth

Stanford Research Institute's Paul J. Lovewell predicts economic trends in decade of the 1970's

HERE'S A LONG LOOK ahead at the U. S. economy:

- ▶ No major recessions.
- ▶ Big improvements in living standards.
- ▶ Many new and important consumer products.
- ▶ Expansion of foreign trade.

These are predictions of Paul J. Lovewell, a spokesman for Stanford Research Institute, which has won world renown for its projections of future trends.

He foresees great challenges to American business in the decade or so ahead. But he believes that our business leaders and labor force will have "the necessary muscle, managerial competence and technological resources" to overcome most difficulties.

As general manager of the Institute's Economics and Management Research Group, Mr. Lovewell directs one of the largest organizations of its kind in the world. It has carried out economic research in more than 50 countries.

He administers management research and long-term technoeconomic studies at Institute headquarters in Menlo Park, Calif., as well as through offices in South Pasadena, New York, Washington, Detroit, Toronto, London, Tokyo, and Zurich, Switzerland. His answers in this NATION'S BUSINESS interview reflect his knowledge of the work on which the Institute spent \$8 million last year alone.

A former vice president of a large ceramics manufacturer, Mr. Lovewell also was a senior industrial engineer with United States Steel Corporation. As a management consultant with a New York firm he has directed extensive cost, organization, and management-control studies for many large corporations.

He also has lectured on industrial management at the Stanford University Graduate School of Business and has coauthored two books on industrial economics subjects.

Mr. Lovewell, how much economic progress does your research show is probable, say by 1975?

The economy will probably be moving up a little faster in the next 10 to 15 years than it has in recent years. That means the total output of goods and services will reach the neighborhood of \$900 billion by about 1975.

Personal consumption perhaps gives a better indication of the standard of living. This is a measure of the private economy in terms of what people buy. Per capita personal consumption today amounts to more than \$1,900. Our research indicates the figure will be roughly \$2,600 by 1975. This indicates that the pace of economic growth will pick up in the years ahead, particularly during the 1970's.

What about recessions?

Chances of a major business recession during these years are not high—unless inflation becomes more of a problem. Business fluctuations, on the other hand, are not obsolete. We have had four periods of decline since the war and we will see more of these in years ahead, perhaps two or three per decade. Since our business is long-range planning, we do not attempt to pinpoint such recession periods.

Some industries, notably in capital goods production, will feel the impact of business dips more severely than others. Various other industries will

COMING: FASTER BUSINESS GROWTH *continued*

go through peaks and valleys of their own.

How would you characterize the next decade or so?

It will be a significant, difficult and also rewarding time for businessmen. The opportunities will be tremendous, and the potential for achievement—the possibilities for personal success—will provide an exhilarating challenge.

But I am not going to indulge in facile optimism. Some of our economic problems appear frightening in their size and complexity, and there will be no simple formulas for solving them.

I do think we have the management muscle and technological competence to overcome most difficulties.

If these resources are ingeniously applied to exploit our opportunities in foreign trade, research, and managerial innovation, the 1970's could outshine all previous periods in general prosperity and economic opportunity.

Is there a chance the 1970's might turn sour?

Could be, of course, but with good planning and realistic long-range expectations, we need not be disappointed by the future.

What are some challenges businessmen will face?

Challenges to the health of the U. S. economy are coming fast—and from many sources. Increasing domestic and import competition and difficulty in maintaining profit margins are two of the important problems.

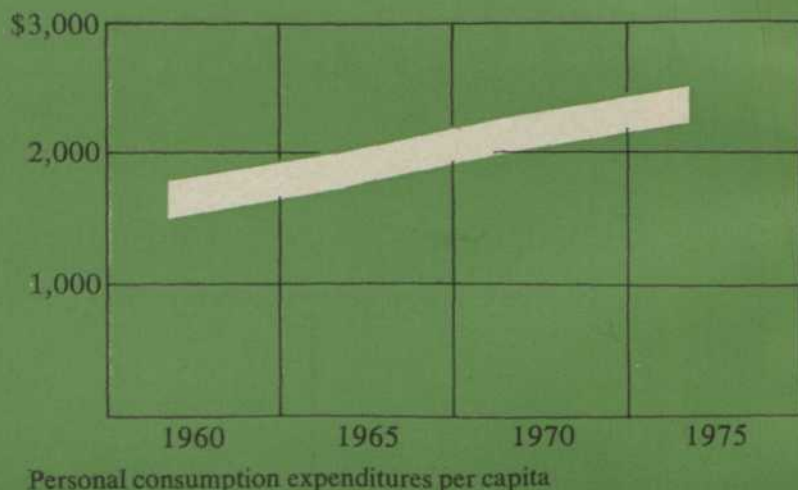
In my opinion three principal hopes exist for alleviating these difficulties:

- ▶ Intensified use of research and development to produce advanced and profitable products.
- ▶ Improvement of industrial management.
- ▶ Broadening export markets for U. S. goods.

What effects will research and development have?

Industrial research and develop-

WHAT PEOPLE WILL SPEND



TREND OF THE ECONOMY

IN BILLIONS OF DOLLARS



Annual output of goods and services Projections by Stanford Research Institute

ment spending amounted to about \$51 billion during the 1950's. That, by the way, was almost five times the total during the previous decade. Yet our research indicates that during the present decade such expenditures will triple those of the 1950's. Though much of this will be government work, a portion of it will benefit civilian industry. Thus its effects on the economy during the 1970's should be considerable.

What kind of new developments do you expect?

Research, of course, will bring an avalanche of new and important products into consumer markets. More attractive and serviceable synthetic fibers, cheaper color TV, safe but potent drugs, new sources of power—these are a small sample of many exciting possibilities.

Developments will change the daily lives not only of U. S. citizens but also of millions of other people. Standards of comfort, health and convenience undreamed of a few years ago could become commonplace.

How will research and development in the 1970's differ from today's?

Firms will tend to view research as a competitive necessity rather than simply as a means for growth. It will be more generally regarded as a required business function rather than a marginal activity.

As a consequence, so many companies will be research-oriented that research and development will provide less of a competitive advantage than it once did. Yet it will be more essential for survival.

Many large, well financed firms will stress the search for spectacular breakthroughs rather than modest improvements in existing products. The payoffs will revolutionize whole industries. Thus, they will compensate lavishly for the many disappointments which are inevitable in advanced research.

Our projections indicate that the proportion of funds spent on research, as opposed to development, will increase. At present only about a quarter of the funds are spent in this way. In the future, research will claim about one third.



CARL PURCELL

The next decade will be a significant, difficult, and rewarding time for executives, Mr. Lovewell says

Will smaller companies invest more in research?

Yes. They will often concentrate on specialized areas neglected by the big fellows. These areas may not offer mass markets but their profit potentials are often attractive.

Will research and development create new problems for management?

Yes, the volume of new products will create many problems in testing, pricing, distribution, advertising, and servicing.

In addition, large capital outlays will often be required in order to tool up for the new items.

Also important will be the effect of research on company organization. New products will create a need for new divisions to handle them. Direction and operation of the research function itself is one of the most discussed management concerns today, and the importance of this problem is sure to increase.

Will management problems increase in other areas?

I believe so. Multiplying government regulations, intensifying competition, and continuing uncertainties about the cold war are a few influences that will complicate business. Moreover, change of all types is occurring more rapidly today than ever before. The accelerating advances in technology are only one example. These difficulties will greatly add to managerial problems, especially in fast-growing companies.

Are there new approaches available to help management?

There are some effective tools that have not been widely used in

the past. Examples are organized planning and better use of management-information system.

What do you mean by organized planning?

For many years the seat-of-the-pants approach to corporate planning has been used by many brilliant executives—often with great success. As the complexities of the business environment multiply, however, and as company operations reach large volume, the method becomes more difficult to apply. For this reason, many firms are seeking a more systematic means of plotting a profitable course in the face of rising risk.

Although business planning as a formal discipline is still in its infancy, firms which have pioneered in this area are developing some effective systems.

Their knowledge and experience, supplemented by research on planning, will be increasingly used by other companies.

What about the new management information systems?

One crucial problem in controlling a business is that of obtaining timely, accurate data on current operations in order to make prompt and constructive decisions.

To deal with this problem, new electronic devices designed for fast, efficient information handling are undergoing swift development. These are affecting methods of storing, retrieving and circulating facts and data needed for business decisions. By the 1970's, devices capable of analysis and interpretation as well as retrieval will be available. Such equipment can vastly simplify and

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PRESSURE GROWS FOR GLOBAL PRICE-FIXING

U. S. must choose way to solve new nations' export problem

INCREASING EFFORTS to prop world commodity prices will affect your business.

You may—as a businessman and consumer—find yourself paying more for raw materials and manufactured goods, as well as for such daily habits as drinking coffee.

Concern is growing over the declining level of prices which the underdeveloped countries receive for the raw materials they export. This is an important item on the agenda of the United Nations Commission on International Commodity Trade, meeting this month in New York City. It is expected to be a major point of discussion next year at the 110-nation UN conference on trade and development. The new five-year international coffee agreement and current negotiations over a similar cocoa agreement are efforts to stabilize and boost prices in these commodities.

The list of raw materials which this country imports is long. A look at some of the more important—oil, wool, coffee, sugar, tin, iron, copper, lead, zinc, nickel, natural rubber—indicates the impact which actions taken by this country and others could have on the price of goods you buy and sell. Yet some action is needed if we are to help the underdeveloped countries.

"The problem is serious, and one of the most difficult we face," says Robert L. Garner, former president of the International Finance Corporation, an affiliate of the World Bank. Mr. Garner is now a director of the American Security and Trust Company and president of the Japan Fund, an investment trust specializing in Japanese securities.

"It's very important that something be done in a practical way to help underdeveloped countries cope with the unstable prices of commodities on which their economies depend. The wide fluctuation in prices hampers our efforts to get these countries moving along," he says.

The price of raw materials has shown a downward drift, on the average, since the end of the Korean war and has suffered sharp fluctuations. During the same period the price which emerging nations must pay

for products manufactured in the industrial countries has risen. As manufactured goods become more highly processed and sophisticated, the share which raw materials contribute to their final value goes down. Demand for these materials has risen slowly.

The persistent growth of domestic price supports, protectionism, and export subsidies for the agricultural and mineral products of the advanced countries also has been an important factor in the decline

UNDERDEVELOPED NATIONS — WHICH SELL



"The problem is serious, and one of the most difficult we face"

Robert L. Garner, *former president, International Finance Corporation*

of world trade in the primary commodities. Many countries in Latin America, Africa and Asia contend that the decline in their export earnings often counteracts the infusions which their economies receive from U. S. aid. Frequently the earnings of these countries are heavily dependent on the export of only one or two commodities, adding to the instability produced by fluctuations and drops in prices.

The United States is now taking part in a number of conferences, councils, and study groups which are examining proposals for dealing with the problem. All have the basic aim of increasing the export earnings of the underdeveloped countries, and most would accomplish this by attempting to keep commodity prices at levels higher than those of the free market.

Pressure for international commodity agreements to control prices is growing among other countries. The underdeveloped nations, which comprise a majority in the United Nations, are pushing eagerly for such agreements and some of the industrialized countries are looking upon them with more favor. From the point of view of the United States, a practical means of improving the emerging nations' foreign exchange problems might help pave the way to lower foreign aid spending.

Five alternatives are open to U. S. policy-makers in their efforts to correct the dual problems of un-

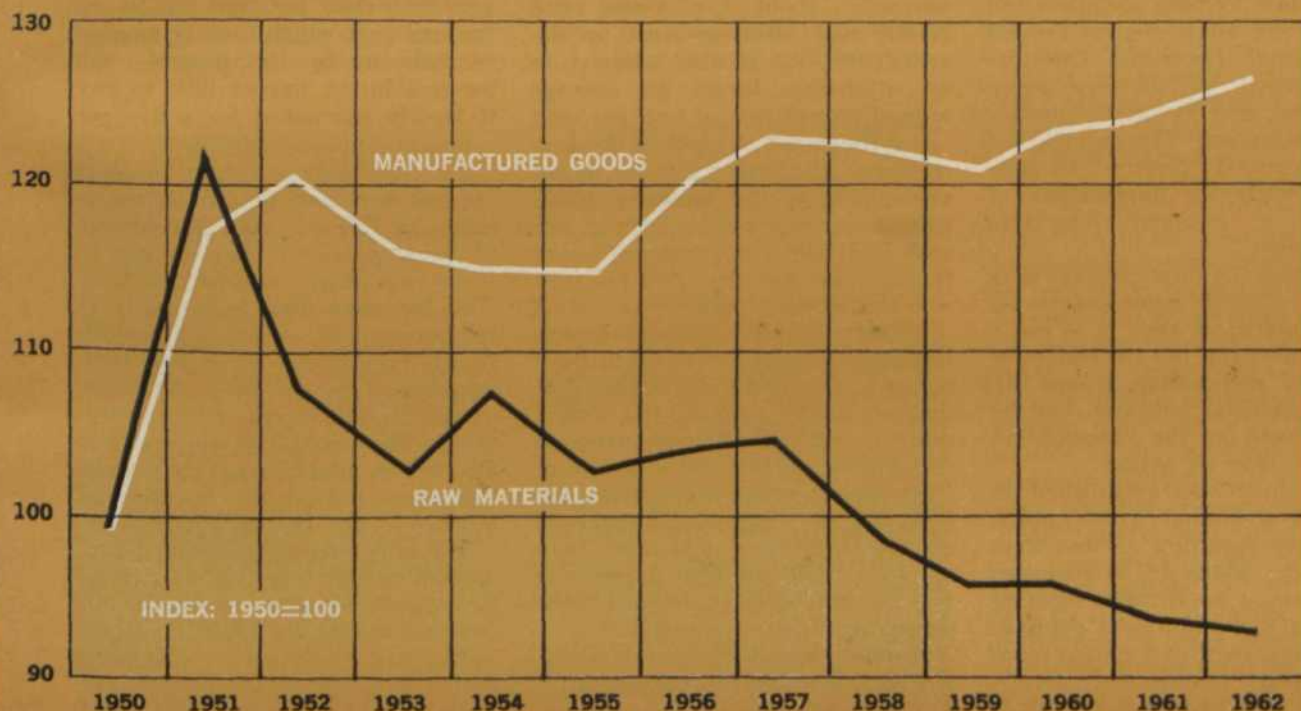
stable and declining export earnings in the underdeveloped countries:

- Participation in international commodity agreements, which aim to moderate short-term price fluctuations and reverse long-term price trends through export and import quotas, production controls, and other devices.
- Promotion of compensatory financing programs, designed to link loans or grants directly to changes in export earnings.
- Moderation of U. S. and European policies harmful to underdeveloped countries, particularly in the areas of domestic agricultural and mineral programs, stockpiling, the management of stocks of critical raw materials, and foreign trade policy in general.
- Direct foreign aid, in an attempt to help these countries industrialize and diversify their economies and reduce their dependence on one or a few commodities.
- Stimulation of private foreign investment in the underdeveloped nations.

The United States has taken part in international agreements on wheat and sugar, and was involved in promoting the recent coffee agreement. State Department officials have

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RAW MATERIALS TO BUY MANUFACTURED GOODS — ARE CAUGHT IN PRICE SQUEEZE



WORLD BUSINESS: How it affects you

Britain will buy more U.S. goods

Exclusive quarterly analysis for Nation's Business
by Economist Intelligence Unit of London assesses
sales prospects in Britain, Japan, Southeast Asia

A \$500 MILLION INCREASE in U. S. sales to Britain over the next decade could result from an experiment in economic management now under way in London.

The experiment—viewed with some disdain by both socialists and conservatives alike—centers around the National Economic Development Council, an advisory group created last year by the Chancellor of the Exchequer. The council has been nicknamed "Neddy." Its mission: to study the implications of pursuing a national long-term growth target.

The council's first report is a strictly technical document suited to a technological age. It is not a Utopian blueprint but the collective opinion of responsible groups—including British business—looking ahead to work out the consequences of various lines of action.

The council was established in response to an annual British growth rate widely regarded as less than satisfactory. Many U. S. businessmen with eyes on Britain regarded the council's creation as a depressing prospect, fearing it meant more of a stop-go government policy, continued sluggishness in growth, a dull market and limited opportunities.

Now, however, it appears that the eventual prospects may be better

than was first thought. We will shortly explain why. But first let's look at the special difficulties of the British situation.

The most useful period for which economic plans can be made is normally about five years, and Neddy was asked to work on the years 1961-66. It also adopted as an attainable target an average annual growth rate of four per cent—and this was endorsed by the government. But there was no recent evidence that the economy could manage such a pace: Two to two and one half per cent was more typical; and less than two per cent was the latest experience.

While Neddy's experts were laboring feverishly in their back rooms in the winter of 1962-63, production outside actually fell, undermining even more the premises on which they worked. So a feature of their report, when it emerged, was that the economy would have to expand by a good deal more than an annual four per cent in the next two or three years to meet the target for 1966.

A more basic difficulty lies in the external position of the country. The essential weakness here is great involvement in world trade and finance, combined with lack of a sufficient financial reserve. Almost every economic crisis, or threat of

crisis, since World War II has stemmed from this weakness, and there is no ready and quick solution that a planning staff can incorporate in its advice.

A shift from two per cent annual growth to four per cent (or to the five per cent which may be needed to make up for lost ground) will mean a larger import bill; to pay it Neddy has asked for a five per cent annual rise in exports.

But the world's export markets are not expected to expand by as much as five per cent a year; so, at least in theory, Britain has to break into other countries' markets. This has been done before only in temporary and exceptional conditions. To this end there have been suggestions in the press for large export tax incentives or for devaluation. But each has such strong internal or international drawbacks that it is unlikely to be adopted quickly by the British government.

The only way of achieving a permanent answer is by big changes in the industrial scene, such as improved training and plant modernization, and most people recognize that it is a long job. It cannot possibly be done in time to make much difference to the achievement of an output target for 1966.

How, then, is the British economy to follow anything like the

course that Neddy has mapped? The quick answer is that it won't. After all, Neddy is only advisory, and its recent report is only a basis for discussion. The most that can be expected over the next few years is a bolder pursuit of expansive policies, the alleviation of some physical obstacles to growth—for instance in electricity supply—and a greater awareness in many industries of the direction that their future growth might take.

But there is at present some slack to be taken up in the available resources of manpower and capacity, and an average annual growth of at least three per cent—more this year—might be attained between now and 1966. There is nothing in this that might especially excite—or warn—the American with business interests in Britain.

The longer-term outlook is importantly different. The British rarely change their ideas or methods in a hurry, particularly in the field of economics. They resist big changes until the need for them is so obvious that just a little extra pull can turn a whole tide of opinion. So, after a prolonged period of obstinacy, a long-opposed principle may finally be accepted with surprisingly little opposition.

Not long ago planning was not a popular word with those in authority, particularly in the Treasury. Now it has become an accepted principle. People still are opposed to drastic action; but having changed their minds on planning they are likely, in a year or two, to

change their actions also. Britain could really begin to change and grow.

The change in thinking may, in return, have an effect on Neddy itself. When people become interested in a subject, they tend to pay more attention to the experts who are equipped to handle its material and draw useful conclusions. This may well apply to the experts on Neddy's staff who, after an initial period of suitable humility, may start to exert an increasing influence not only on the higher council but on the Treasury officials with whom they work and even on the government and the public. The ideas and blueprints of the economists could begin to have some impact on practical decisions in the economy.

This possibility may be taken in many ways by different people in U. S. business. It certainly does not imply any serious interference with private American firms operating in Britain or with existing policies of trying to reduce trade barriers and restrictions on international payments.

What it should mean, on the contrary, is that U. S. businessmen will find, over the next decade, an increasing vigor and purpose in the British economy. This, in turn, should gradually make possible more sustained and substantial economic growth. There may be one or two false starts between now and 1966; but prospects should be much better for 1970.

After the breakdown in Common Market negotiations on British en-

try it would be all too easy to write Britain off. If Neddy gets its way, that would be a mistake; for, supposing that Britain does within the next decade achieve a four per cent growth rate, imports must rise by at least four per cent annually. Translated into U. S. sales to Britain, this could be equivalent to well over \$500 million more business for American exporters.



JAPAN: ALERT AMERICANS CAN MAKE MORE SALES

AFTER three years of unprecedented growth the Japanese economy merely dawdled during 1962.

Between 1958 and 1961 total output rose 55 per cent, an average of 15.7 per cent a year. Last year the expansion slowed to a mere four to five per cent, mainly as a result of government restrictions imposed late in 1961. Most of these shackles now have been removed, and faster progress can be expected this year.

The official forecast is for a six per cent rise in total output during fiscal 1963.

There is little disagreement about where the main driving power will come from in the year ahead. Private investment, the key factor in the pre-1962 boom, will remain sluggish. But government spending will rise and there will be new emphasis on improving transport, housing, public utilities. The government also will give a higher priority to welfare services and to income redistribution. This could boost personal consumption.

The most crucial factor over the next year may be the progress of Japanese exports. Japan must export to live. Authorities hope for an increase of about seven per cent in exports during fiscal '64. Chances of achieving this hinge largely on continued expansion in the U. S. The opportunities for U. S. business in Japan over the next twelve

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GLOBAL TRADE TRENDS

If you do business with Malaya-Singapore watch for tariff changes as the Malaysian common market takes shape. . . . Note growing protectiveness toward infant industries throughout Southeast Asia. . . . Spain, too, is using quotas protectively but cut tariffs by five per cent at end of January. . . . Canada's new government aims to spur Canada's economy: The dismantling of import surcharges could mean greater British competition in the Canadian market. . . . Some United

Kingdom exporters seek U. S.-style loans to boost declining exports to Latin America. . . . Do multinational aid projects to Pakistan (\$500 million) and Indonesia (\$390 million, with \$234 million from U. S.) promise anything for you? . . . Can you participate in massive 1.5 million kilowatt Guri hydroelectric project in Venezuela? . . . Prospects for investors are brighter in Ghana and Brazil. . . . 1963 may bring more West German competition in your home market.

BUDGET CUTS WOULD BOOST ECONOMY

Here's way to get more jobs, higher productivity



Private spending creates all kinds of jobs throughout all of the economy



Government spending provides jobs mostly for the skilled, not the unskilled, unemployed

A SIGNIFICANT REDUCTION in federal spending would be more likely to spark greater prosperity than to cause a recession, as some claim.

Examination of the facts shows that dollars spent by taxpayers themselves contribute more to economic strength than federal spending for two reasons:

- ▶ They create more jobs.
- ▶ They add more to productivity.

Unemployment is one of the major problems America is seeking to cure. The impact of private versus federal spending on unemployment therefore is of prime importance.

If Americans had more to spend as individuals, we would buy more houses, more automobiles, more appliances, more books, more clothes. As businessmen, we would buy new equipment or larger facilities.

This kind of spending would provide more jobs for almost every kind of worker. By contrast, federal spending, by and large, creates work primarily for a relatively few highly skilled workers. Few of the unskilled or semiskilled unemployed would benefit.

The federal government does not spend money simply by throwing it to the winds. It buys specific goods and services. If it had more money it would buy more missiles, more river channels, more tanks, more research, more bushels of

wheat, or more promises not to plant more acres of wheat (though farmers might grow more bushels of wheat per acre).

Some of these activities obviously provide jobs—and lots of them. Defense contractors meet payrolls, buy materials, build facilities, and contribute to economic growth in many ways. So do those who build dams, or highways, for example.

But government work is less productive in the full economic sense. No consumption results as it does in the case of auto, appliance or clothing production. And consumption is a key to our economic growth.

In the civilian economy, output is now rising faster than historical rates because new techniques are being used throughout the economy, because more skilled labor is being employed using more sophisticated machines throughout the system.

So consumption must rise at a faster rate or unemployment will continue to rise. We must face up now to the fact that we have a rapidly increasing labor force which is not as well adapted to today's requirements as it was five years ago. This labor force needs an economy which emphasizes the use of goods and services, mass production and the distribution of mass-produced goods more than a federally supported economy.

If more money is put into the

hands of the taxpayers through tax cuts, accompanied by spending cuts, individuals and businesses will spend it on the things which will provide the kind of economy that's needed.

It is significant that an increase in government spending would do nothing to increase productivity as reported by the government, but rather would decrease reported productivity.

The government reports no increase in productivity from its outlays year by year. This means that the entire increase in reported productivity must be made by the private sector. The larger the proportion of government spending, even with a steady increase in productivity in the private sector, the smaller the over-all increase in productivity as reported.

Since government represents more than 20 per cent of the total

economy, private productivity must go up 2.5 per cent per year if the total reported productivity is to rise two per cent. It might seem, then, that if we want to get the reported growth rate to rise, the simplest thing would be to reduce the percentage for which the government is responsible.

A private worker with a machine tool or a computer may turn out more, as our economy is measured, than a government worker behind a desk.

The fact that there are 23 government workers for every 100 private workers can reduce the total reported productivity quite appreciably. So again, it would seem that one way to increase the rate of growth in the economy would be to decrease the amount or proportion or both of government expenditure.

This, of course, is an over simplification. Some government opera-

tions are as important as any private operations. If we did not spend for national defense we would have nothing left to defend. If we didn't have police, individuals and corporations would have to set up their own police force. But it is a fact that government assumes and reports that it causes no increase in productivity in the economy.

Measurement is difficult

Some of the reasons are obvious. For instance, it cost the equivalent of about \$16 billion 1962 dollars to handle our defense establishment in 1947, but it costs \$53 billion now—nearly three and a half times as much. This would suggest that our defense establishment is only 30 per cent as productive. Of course, we know this is not true.

On the other hand, if we were to measure our defense operations on the basis of the amount of destruction that they could wreak now as compared to what they could do in 1947, the productivity would have gone up many times.

It may be useful to take a closer look at how the federal government spends tax dollars.

Suppose Congress gave the Administration \$5 billion above its requests (exclusive of interest payment needs), and this was prorated to each department and agency. Defense would, on this basis, get about \$3 billion. Space research and technology would get a quarter of a billion. Agriculture, Health, Education and Welfare, and veterans would get \$300 million, and miscellaneous operations such as house-keeping, international affairs, pork barrel projects, commerce and transportation, and housing, would get the balance.

What would an additional expenditure of \$3 billion by the military do to the economy? Most of it probably would go to research and development and to purchase missiles, planes and some construction.

The significant thing about this list is that most of the spending would be for items requiring skills. Missiles are not designed or built with unskilled labor. Even when production becomes a repetitive operation, such as is the case with the Polaris missile, the production emphasizes skilled operations with incredibly fine tolerances.

Research and development work similarly is done by skilled men. Expansion in military research and development expenditures would use the most skilled engineers and

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True economic progress depends on personal consumption of goods and services, which government spending does not bring about

HOW TO GET BETTER GOVERNMENT

Revival of grass roots initiative and sense of local responsibility is an urgent need, says Edwin P. Neilan, new president of the Chamber of Commerce of the United States

EDWIN P. NEILAN, the new president of the Chamber of Commerce of the United States, thinks it's time we get back to fundamentals.

"After all," he says, "this country became great on thrift, and its willingness to save and invest in the industrial tools which made possible high rates of productivity and high standards of living."

Mr. Neilan is president and chairman of the board of the Bank of Delaware in Wilmington, the second largest in the state. But he likes to call himself a country banker. The term is accurate in a symbolic sense because he is a practicing believer in staying close to the people. He keeps close to his 540 employees as individuals and stimulates them to keep close to the customers they serve.

He is equally determined to do everything he can to prevent government from getting further away from the people.

"Government must be kept at home as much as possible," Mr. Neilan says. "When it gets as far away as Washington, you just can't control it."

Many Americans, of course, pay lip service to this principle—and then elbow their way to the nearest federal handout. But Mr. Neilan speaks of the need for decentralization with such urgency and sincerity he makes the words sound new. He will be making this point in his quiet, convincing style to dozens of audiences during his year as Chamber president.

Underneath his easy-going façade is a hard-driving man who always remembers that his mother told him: "If you're going to be a garbage man, be the best garbage man in town." He is deadly earnest about any job he tackles—and he sometimes tackles dozens of them at the same time. When it's necessary to get the job done, he can be outspoken or resort to needle-sharp quips.

A direct and incisive off-the-cuff speaker, Mr.



Neilan dislikes preparing speeches in detail. In his 57 years, he had never held a press conference before being elected Chamber president, and looked forward to it because "as an old debater I don't mind a little give and take." He came through without ducking a question or even hesitating in his answers.

In recent years, Mr. Neilan has been on the road a great deal as a vice president of the Chamber and a leading member of the American Bankers Association. It has left him deeply disquieted about the trend toward centralized government. Businessmen are not yet making themselves heard enough in government at the local level, he feels.

"The average businessman is no different from other citizens these days," he says. "He has become soft and is taking things a little easy. He needs to buckle down."

Under Mr. Neilan, the Chamber will intensify its program to encourage and help community business leaders mobilize local talent and resources to meet local problems. He is convinced that a revival of grass roots initiative and sense of responsibility is badly needed.

"On all sides we see good men, who would never think of asking persons in the next block to help them finance new homes, yet who have no hesitancy in using the federal government as an intermediary to compel those neighbors to help with the financing."

Meanwhile, he feels, "our cities and counties are being nationalized right out from under us."

"The federal government seems determined to take away the responsibilities of local governments and have them running to Washington to get grants for everything from sewage disposal plants to housing for the elderly to almost anything. It has been well documented by the Chamber that the federal government is wrong in claiming— (continued on page 104)



PHOTO: ROBERT PHILLIPS

Mr. Neilan enjoys relaxing at his Holly Farm home, left, and takes his easy-going, friendly manner to the office where he is shown below chatting with Miss Blanche Swayne, who has been a customer of his bank for over 30 years



A LOOK AHEAD by the staff of the

Hearings set on new FBC

(Credit & finance)

Goal: better break abroad

(Foreign trade)

Tax test likely in Senate

(Taxation)

What government spends for water research



Source: Bureau of the Budget

AGRICULTURE

Farmers are increasing their crop acreage about two per cent above last year's all-time low of 302 million acres. This is indicated by a Department of Agriculture report of spring planting intentions. The report covers 85 per cent of all crops grown.

Total wheat acreage seeded is about eight per cent more than last year, and conditions favor an excellent winter wheat crop. Increased plantings also are indicated for sugar beets, corn and grain sorghums, and soybeans.

Reduction in acreage allotments will account for an expected nine per cent decrease in cotton acreage. Oats and barley reportedly will be cut about five per cent each.

The Department of Agriculture estimates that 26 million acres will be diverted from production under the 1963 feed grain program, compared with 29.6 million acres in 1962. However, more farmers are participating this year. (They are staying close to the minimum reduction of 20 per cent required for diversion payments.) This factor, coupled with continued favorable growing conditions, raises the prospects for a substantial increase over 1962 in feed grain production and another near-record level of all-crop output.

CONSTRUCTION

The construction industry will have an important role in the Na-

tional Chamber's campaign to encourage and help business leaders mobilize local talents and resources to meet community development problems.

The industry will benefit, too. Almost every community has many pressing construction needs. Population growth and technological change are generating tremendous pressures for development of new city sites and redevelopment of older areas. New residential, commercial, and industrial buildings require, in turn, expanded and improved transportation networks, water and sewer systems, and many other public and private facilities.

Construction executives have the know-how vital for real community development progress. By joining with other business leaders to mobilize home-town talents to meet local problems, they will promote their industry and their communities.

Thirty years of increasing federal government intervention have not done the job.

CREDIT & FINANCE

A far-reaching proposal to establish a Federal Banking Commission is scheduled for congressional hearings this month.

Recommended by Federal Reserve Board Governor J. L. Robertson, the new FBC would be run by a five-man board and would take over: 1, all examining and other banking and regulatory functions of the

Federal Reserve; 2, all supervisory and regulatory functions of the Comptroller of the Currency, including currency issue and redemption; 3, all functions of the Federal Deposit Insurance Corporation; and, 4, responsibility for chartering, merging, and branching, now vested in the agencies it would replace.

According to its author, Congressman Abraham J. Multer of New York, this legislation would free the Federal Reserve system to concentrate on its primary responsibilities in the field of monetary policy.

The bill states that it would preserve and strengthen the principle of dual banking. However, there are many who fear it might do just the opposite.

FOREIGN TRADE

Awareness of the increasing interrelation of U. S. foreign policy and the American business community at home and abroad is exemplified by the recent creation by the State Department of a three-member committee to give particular attention to the problem of expropriation of U. S. property overseas.

Constant vigilance is required to make certain that American firms doing business abroad receive a fair break—that they are not discriminated against or otherwise unfairly treated, according to Under Secretary of State George W. Ball. "The creation of this Committee is a further step to improve the effec-

Chamber of Commerce of the United States

tiveness of the Department's efforts toward that end," he said.

The committee will meet periodically to review the handling of specific complaints submitted to the State Department or its missions abroad by American businessmen in overseas operations.

GOVERNMENT SPENDING

The Administration, under pressure from economy forces in Congress, will probably ask for a one-shot temporary raise in the debt ceiling this month.

Originally, Treasury strategy had called for requesting a \$308 billion ceiling through June and later asking to raise the limit to a whopping \$320 billion.

However, the House Ways and Means Committee action in letting the debt ceiling fall to \$305 billion last month, growing and vocal economy sentiment on Capitol Hill, and recollection of the tight vote on the debt ceiling extension last year has changed the Treasury's approach.

The extension asked for will most probably be for a variable ceiling, adjusted to the Treasury's estimates of the seasonal fluctuations in revenue receipts.

LABOR

The recent maritime dispute and newspaper strikes may well prompt the Senate to begin hearings on union monopoly power.

The most recent spokesman for this approach has been Sen. Frank Lausche of Ohio, who has called on the Senate Government Operations Committee to investigate whether there exist "conspiratorial combinations fixing prices, or practices otherwise creating monopolies at the expense of the general public," and if so, to recommend corrective legislation.

Senator Lausche is a co-sponsor of a bill which would place certain restrictions on activities of unions in the transportation industry. The bill's author, Sen. John L. McClellan of Arkansas, an important member of both the Senate Judiciary and Government Operations Committees, also has indicated his determination to hold hearings on

union power. Legislation to correct abuses could result.

MARKETING

Packagers of consumer commodities—mainly kitchen and bathroom items—are showing increasing alarm over the packaging and labeling controls bill introduced by Sen. Philip A. Hart of Michigan, and awaiting action by the Senate Antitrust and Monopoly Subcommittee.

Among other things, the bill would ban all cents-off promotions by packagers—thus robbing marketers of a legitimate promotional technique, and consumers of the cost savings represented by these promotions.

Some marketers fear this might set a precedent for the elimination of other promotional devices such as prizes, premiums, coupons, and stamps.

The bill also would empower the government to standardize and limit package sizes.

NATURAL RESOURCES

Total national expenditures on water research will show substantial increases over the 1960-1961 levels during the next few years.

The federal government itself will account for a large portion of the expenditures. The budget for this fiscal year provides for 40 per cent more funds for federal water resource research than the preceding year. The budget for fiscal 1964 calls for a further increase.

Expenditures by the Interior Department alone on water research have grown from \$17 million in 1962 to \$35 million requested for fiscal 1964.

It is estimated that the nation has been spending more than \$10 billion per year on water facilities. Research expenditures have accounted for three fourths of one per cent of this total.

However, some believe that expenditures for facilities must be multiplied substantially to meet rising needs. They assume that a corresponding increase in research expenditures will result.

Pressures for increased research will also come from those who be-

lieve that research rather than immediate development of facilities can better assure an adequate water supply.

TAXATION

When the Ways and Means Committee completes its work on the President's tax proposals, the Rules Committee is expected to send the bill to the House floor under a rule allowing only limited debate, and probably no amendments.

Unlike the House, the Senate will have a chance to change the legislation. Presupposing passage of some form of bill in the House, the Senate Finance Committee will undoubtedly make changes before sending it to the Senate. On the Senate floor many of the Administration's initial proposals, deleted by the House, will again be tested.

Individual senators will likely try to tack on their favorite amendments. These include full income taxation on stock options, income taxation of lump sum distributions of pension plans, and curtailment of depletion allowances.

TRANSPORTATION

President Kennedy's legislative proposals for transportation will soon undergo further consideration by congressional commerce committees.

Except for some technical changes, the legislation is similar to that considered last year.

The proposal which will generate most debate in Congress is one to remove minimum rate controls over the movement of bulk commodities and farm and fishery products.

Proponents generally supporting the deregulation approach include the Chamber of Commerce of the United States, the Association of American Railroads, the National Industrial Traffic League, the National Coal Association, the American Farm Bureau Federation and the National Grange (along with ten other agricultural groups).

These user groups apparently favor relaxation of government regulations on the premise that increased competition will encourage improved service at lower rates.

PRICE-FIXING

continued from page 35

emphasized, however, that U. S. policy is not directed primarily toward promoting commodity agreements. Each situation must be studied on its merits, they say, and a variety of techniques may be needed to cope with particular problems.

International commodity agreements, in fact, have serious flaws which make them of questionable value as a means of helping underdeveloped countries. Past agreements have not been wholly successful in stabilizing prices and reversing long-term trends for more than short periods of time. Raising profits for producers of a country's one or two primary commodities may even slow sound economic development by discouraging investment in other goods and services.

The case for commodity agreements is based on the assumption that increasing export earnings will make funds available to be used in promoting economic development. In most underdeveloped countries, however, considerable funds are already available—a few people in such societies may be extremely wealthy despite the general poverty. But these funds often do not go toward economic development.

Political instability and a lack of basic law and order, particularly with respect to property rights, is the most important barrier to investment in many underdeveloped nations. Wealthy citizens are reluctant to invest and prefer to keep their funds liquid, hoarding gold or depositing their money in other countries. Foreign investors are likewise deterred.

Commodity agreements are about the least specific form of foreign aid possible, since the bulk of the money goes to private individuals who can spend it as they choose. The trend of thinking today is that our foreign aid money must be spent more effectively by directing it toward high-priority development targets and using it to advance our political aims as well as to promote economic development.

Such agreements are much less flexible than other forms of foreign aid.

There is no way to discriminate between countries which make good use of aid and those which do not, or to tailor aid to each individual country's ability to industrialize and diversify its economy.

"Commodity agreements substi-

tute political judgment for economic judgment in trying to solve an economic problem," Rep. Thomas B. Curtis, Missouri Republican, asserts. "Whenever you make that substitution, you're going to follow the second best course. One of the best ways to stabilize most underdeveloped countries is to get them away from a one- or two-commodity economy. Such agreements discourage diversification."

Proposals for compensatory financing programs, one of which has been advanced by the Organization of American States, are under active consideration by the UN Commission on International Commodity Trade. A somewhat similar plan, which would provide short-term loans for underdeveloped countries in difficulty because of a

Bright outlook ahead for the next decade—that's projection by the famed Stanford Research Institute. For full analysis of prospects, see page 31

drop in export revenues, was established recently by the International Monetary Fund.

"We would like to see the IMF plan tried out to determine if it will meet the need," says Isaiah Frank, deputy assistant secretary of state for economic affairs.

Like commodity agreements, compensatory financing programs should be considered essentially a form of foreign aid. Here again the country providing the funds has no voice in how they are used by the recipient. In addition, a decline in export earnings is not necessarily a proper indicator of a country's need for foreign funds.

Private investment needed

Two approaches which, though difficult, offer tremendous potential benefits are reducing the barriers which the industrialized nations have erected against exports from the underdeveloped countries and encouraging private foreign investment in these countries.

"Economic development starts in the minds of the people in such countries," Mr. Garner says. "They must want to develop and then learn how. The idea that we can do it with a lot of money, I believe,

has been pretty well exploded. Though many of the underdeveloped countries will have to depend on agriculture for some time, a proper degree of industrialization is part of their development and it can only be done by private enterprise. Their governments can't run an industry effectively.

"We should have as much free trade as possible. The more business that is done around the world, the stronger the economies of all countries will be."

The possibilities of boosting the export earnings of underdeveloped countries by moving toward freer trade are considerable. The industrialized nations would benefit at the same time.

There would be important political side effects. Direct foreign aid fails to produce admiration for the giver, when the recipient feels that money given with one hand is taken back with the other through protectionist policies.

Stimulating private investment in these countries also carries a high potential in easing their foreign exchange burden. The United States and other industrialized nations privately invest large amounts abroad, but these funds tend to go to other advanced countries. Sixty per cent of the nearly \$5 billion which U. S. companies invested abroad in 1962 went to Western Europe and Canada.

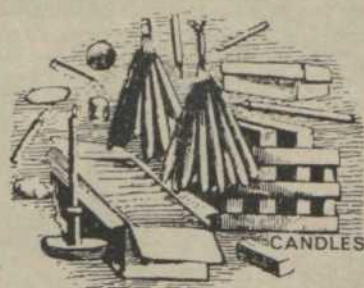
By creating a climate attractive to foreign investment the underdeveloped countries could attract some of this dollar flow which now bypasses them. Even a small share would far exceed what they now get through aid programs and commodity agreements.

Both freer trade and more foreign investment would promote greater cultural exchange between the industrialized and underdeveloped parts of the world. This would speed the developing nations toward a political and social climate attractive to investors and conducive to growth.

The question of how best to help the emerging nations in their struggle for economic progress is urgent. Representative Curtis says:

"There is more war and peace wrapped up in this problem than in any other." **END**

A comprehensive study, "Commodity Agreements—Their Role in the World Economy," may be obtained for 50 cents a copy from the Chamber of Commerce of the United States, 1615 H St., N. W., Washington 6, D.C.



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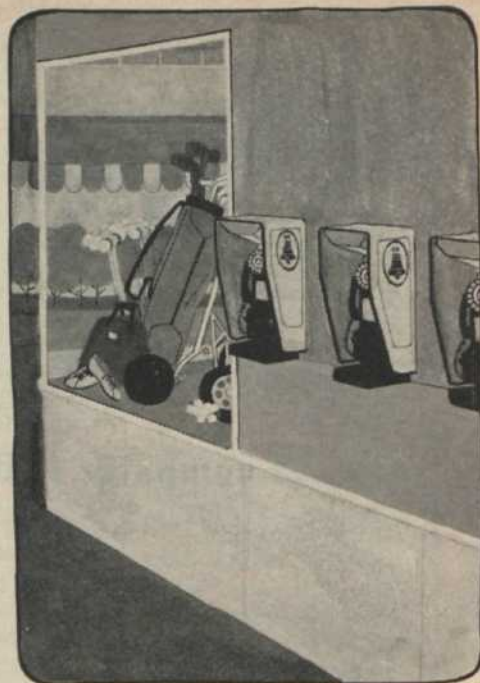
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PERSONAL OUTLOOK

You can prepare now for your next job

How to pick a new job that's best for you is a problem you may face if you are a top-level executive in an unsettled business.

J. Hardy Jones, president of the Association of Executive Recruiting Consultants, offers this advice on getting and holding the right kind of executive position:

1. Get into an industry that offers you the greatest potential, mindful of the industry's growth possibilities and your own aptitudes.
2. Prepare yourself to hold what you have and also get ahead by developing a specialty.
"Be known as an expert at something," says Mr. Jones, who is himself studying real estate.
3. Be realistic about your worth and your relationship to the business enterprise.

"Make sure your responsibilities, ability, age and salary are all in gear," Mr. Jones advises. "If you go up riding another's coattails, you'll be in trouble when he's gone."

On being realistic about your worth, he tells of a company president who was forced out of his \$150,000-a-year post more than a year ago. His record also included failure of a new venture he handled in another company.

"We can't convince him he's not worth \$150,000 now, and should take an opening at \$60,000 and use it to rebuild his status," Mr. Jones says. "We'll never be able to place him if his attitude doesn't change."

Europe will be crowded

Book your accommodations earlier than usual if you're going to Europe this summer.

Good transportation and hotels will be taxed by a record number of Americans expected to

travel abroad this year, exceeding the million mark for the first time.

You might try to get into the more than 30 new deluxe and first-class hotels being opened this year.

Hilton is opening new hotels in Rome and Rotterdam this month. Other new hotels opening are the Westbury in Brussels and the Fenix in Barcelona.

Three new hotels along Spain's Costa del Sol: The Nautilus and Las Tres Carabelas in Torremolinos; the Sierra Blanca in Marbella.

Norway is expanding facilities rapidly. New openings: Highland Hotel in Geilo, Rondane Mountain Hotel in Otta, and Carlton Hotel in Lillestrom.

Hints for travelers

Rules for qualifying a group for travel at reduced rates have been relaxed on trips to Hawaii and Israel. There may be others. If interested, check your travel agent.

A new booklet, "Where to Dine and Drive in Britain," is available free from the British Travel Association, 680 Fifth Avenue, New York 19, N. Y.

It includes road map and list of 400 restaurants approved by a committee of gourmets.

"Custom Hints," published by the Bureau of Customs, tells you how to save time and money in going through customs. Get it free from the nearest customs office or auto club International Travel Department.

Electronic miracles coming for you

In time of crisis, would you like to get off-hour business calls at your home—automatically

PERSONAL OUTLOOK

—or receive at your club or friend's home a call made to your home or office?

These and other electronic miracles of the telephone are undergoing successful tests and will be available to you before long.

Electronic switching systems have just been installed in two New Brunswick, N. J., business firms for trial. The first actual working test in a community is planned for 1965 in Succasunna, N. J., a New York suburb.

Other things electronic switching will do for you when you get it:

When you are talking on the telephone, it will signal you when someone is ringing your number.

Permit you, during a two-way conversation, to add one or two others to the connection.

When you get a busy signal, permit you to hang up; then, as soon as the line becomes free, your phone and the other will ring, automatically.

Let you set up a series of other numbers to ring in consecutive order when yours is busy.

Give you a different ring for each member of your family or staff.

Set up abbreviated dialing—only three digits—for frequently called numbers.

Tips on walking

To get the most good out of walking, set your pace at 15 minutes for a mile. This is the advice of doctors and walking devotees.

Washington has all kinds of walkers, not counting the neophytes who tried the 50-mile hike suggested by the President.

What they do may suggest something you might try for better health.

Supreme Court Justice William J. Brennan, Jr., walks around Georgetown for an hour and

a half every morning. Justice Tom C. Clark and Chief Justice Earl Warren head for the Supreme Court on foot, are picked up by their drivers part way. Justice William O. Douglas is known for his long hikes and mountain climbing.

Golf rule changes to watch

A meeting at Turnberry, Scotland, May 18-19, may affect your golf score. It will decide new rules for next year.

American businessmen Ward Foshay, Wall Street lawyer; Isaac Granger and Hord Hardin, bankers, and Richard Tufts, chairman of Pinehurst golf resort, will help write the new rules.

They and Joseph Dey, executive director of the U. S. Golf Association, make up the U. S. delegation which will discuss rules changes with a committee of the Royal and Ancient Golf Club of St. Andrews, ruling body of British golf.

Our side will push two changes most likely to affect your golf score:

—Restore the penalty for ball striking flagstick from within a specified distance.


—Let you repair ball marks on putting green any time, anywhere, and in any way you wish.

Incidentally, if you're going abroad you might want to schedule the trip to take in three golf tournaments with strong American flavor.


May 24-25, at Turnberry, the U. S. Walker Cup team will try to extend the victories of U. S. over British amateurs to 18 (out of 19 matches).

June 3-8, at St. Andrews, Richard Davies of Pebble Beach, Calif., will defend the British Amateur title he surprisingly won last year.


July 8-12, at St. Anne's-on-the-Sea, England, Arnold Palmer will shoot for his third straight British Open Championship.




9:00 A.M. — crew signed on (no shanghaiing necessary!), ship loaded and ready to launch. Sporty OMC Seasport control pedestal invites you to "Take charge!"




10:00 A.M. — girl overboard (on skis) — and get a load of the pick-up-and-go in that 88 hp OMC 488 stern drive as it steps into a plane in a matter of seconds!



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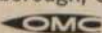
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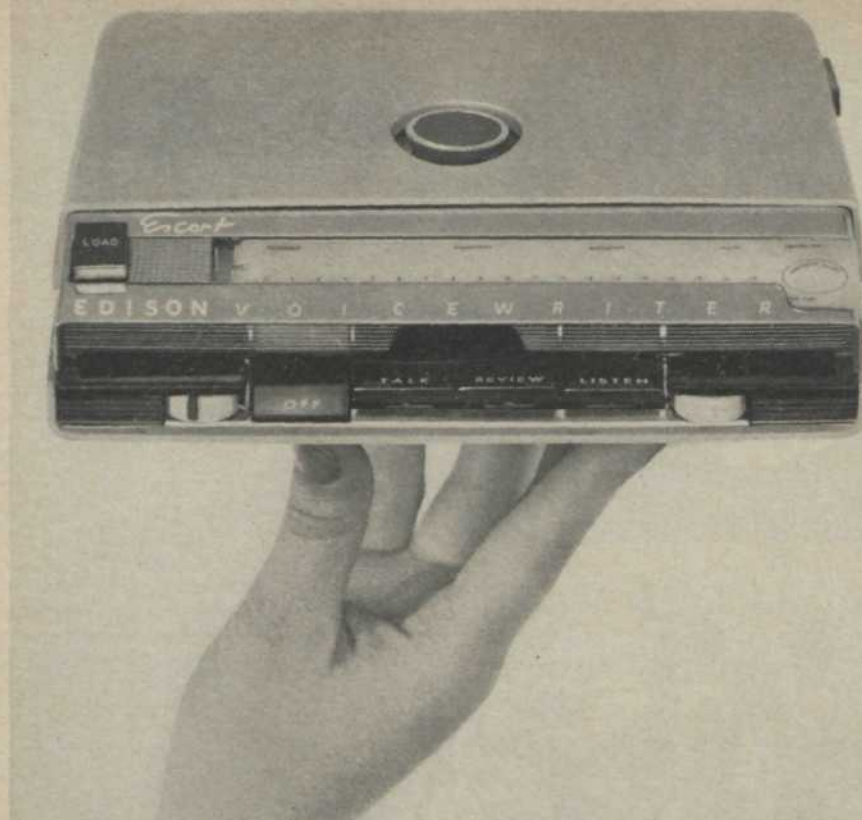
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Patents Pending 

continued from page 37



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months depend in the first place on the state of business at home.

The second main consideration is the likely extent of further liberalization of imports. In terms of current value of trade only about three quarters of Japan's imports have been freed. Most of the restrictions lifted recently have affected raw materials. Many manufactures are still rigidly protected.

The government will have to walk further along the road to free trade in order to earn fair treatment in the prosperous markets of Western Europe.

Existing ties mean that the U. S. is well placed to gain from more rapid expansion in Japan. On the other hand, America can expect stiffer competition from Europe.

Household appliances for Japan's leisure boom are among items which should provide a richer field. Producers of food and raw materials also should be able to sell more.

The year ahead will bring no return to the easy pickings of 1959-61, but alert executives should be able to boost business with Japan in many lines.



ASIAN DEMAND FOR CONSUMER GOODS CALLED "ENORMOUS"

U. S. AID to Southeast Asia is more likely to fall than rise over the next few years.

What effect will this have on the market for U. S. goods in the area? Is there anything American businessmen can do to increase their share of this market?

The experience of the last few years can help provide an answer. Since 1959 U. S. aid to Southeast Asia has been cut considerably. Exports, on the other hand, have continued to grow. In 1961 they were one third higher than in



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San Diego County

WORLD BUSINESS

continued

1959, at first sight a contradiction of the old adage, "trade follows aid."

The explanation of this, of course, is the Buy America policy, which since 1959 has tied aid pretty rigorously to the purchase of American goods. In effect, total aid has been cut, but more of it has been spent in the U. S.

Is this, then, the answer? Will aid be even more tightly tied? It probably will, and this will insure a minimum market for U. S. goods. But there is a catch—the loss of the customer's good will. Businessmen in South Vietnam, for instance, have complained that they are not allowed to buy in the cheapest markets, usually Japan or Hong Kong.

Paradoxically, the Buy America policy may make the task of American businessmen trying to sell goods outside aid programs even more difficult. It will be more necessary for exporters to take an active interest. For, although trade has been increasing in absolute terms, the U. S. has lost ground in the Asian market since World War II to Japan and the countries of Europe's Common Market.

The main fault in Southeast Asia has been overconcentration on a single market. The Philippines,

where traditional bonds have given the U. S. an advantage, takes nearly half of America's exports to the entire area. The only other market worth over \$100 million a year is Indonesia. Although they have risen in the past few years, U. S. sales to Malaya—fastest growing economy in Southeast Asia—were still less than \$23 million in 1961.

The major opportunities for exporters have been in raw materials and capital equipment. Grains, raw cotton and industrial machinery have figured prominently in the list of American exports to the area. Yet already automobiles are the largest single item and, as the price paid for imported radios in Djakarta shows, the pent-up demand for consumer goods is enormous.

Southeast Asia seems to prefer the imported to the locally produced article, regardless of quality. Thai manufacturers have even been known to mark their goods, "Made in the U.S.A." Efforts to sell now will be justified by the long-term advantages accruing to the well established brand name.

However, the situation will get worse before it gets better. Falling commodity prices, the slow growth of export earnings, the lack of scope for running down reserves, as well as the prospect of a cut in aid, mean that Southeast Asia may not be able to raise its imports much in the next few years.

END

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GET YOUR WORK DONE FASTER

Here's an analysis of four kinds of roadblocks to doing your job

EXECUTIVES at every level—from new junior manager to president—are no strangers to roadblocks that stand in the way of getting work done faster. Hardly a business day goes by without a roadblock showing up.

The executive who knows how to break such impasses has a decided advantage.

Two key questions should be answered in advance:

First, how important is it to break the impasse?

Second, what kind is it?

How important?

Not all problems are equally serious. As a matter of fact, some may be blocking projects or goals of negligible importance. When this is so, it is often better to leave the situation alone.

A premature move may freeze the barrier. To try to get over a hurdle when it is not in the way of a high-priority goal is to take an unnecessary risk.

On the other hand, we run greater risks when we do nothing about an impasse that is blocking a high-priority target.

Once it is decided that the problem cannot safely be ignored, it is time to turn to the second key question—what kind is it?

What kind?

Impasses can be grouped into four major categories:

- ▶ Other people.
- ▶ External circumstances.
- ▶ Practices and procedures.
- ▶ Yourself.

Let us identify each kind and examine ways of making a breakthrough.

Other people

If the following comments could be translated into highway signs, they would read: "Detour—Man in the Way."

"If I didn't have to deal with Greg on this problem, I'd be able to finish the job today."

"It would be easy to get my plan okayed if it weren't for Thompson. He kills an idea before you can get to the second syllable."

"I'd like to put a new man on the marketing assignment, but the boss would never let us move Burns."

Here are a number of suggestions on how to deal with barriers created by other people. In one or more of them, you may find a solution to a problem facing you.

▶ Present the plan from his point of view.

Sometimes the man who appears to be thwarting your idea or program is not opposed to it in substance at all. What he may be looking for—perhaps subconsciously—is a link between your idea and his own outlook.

Or he may like parts of your idea and have sound objections to other parts. In this regard, note the advice of Fred Emmerich, former chairman of the board of Allied Chemical Corporation:

"Recognition on our part that a view contrary to our own may well have superior merit has a double advantage. It shows objectivity and enables us to accept adverse conclusions with good will, good grace, and understanding. When all is said and done, we discover that disagreement does not have to be disagreeable."

If the instance is one where personal credit is of little consequence to you, don't let pride of authorship prevent you from achieving results. Perhaps you can relate your idea to something the other fellow has written previously. Perhaps you can show that your recommendation was stimulated by something he said to you earlier.

Giving someone else the credit is a small price to pay to get a good idea moving forward.

▶ Put your point of view on paper.

Many executives shy away from approving plans—or even evaluating them—until they have seen the proponent's arguments on paper.

If the impasse-maker is this type of man, you will not get far with oral presentations. The more you talk, the stiffer his resistance will grow. An executive whose decision-making process calls for reading and study will give you your best hearing on paper.

So check carefully to see whether

RATE YOURSELF AS A ROADBLOCK HURDLER

Your answers to these 10 questions will give you some indication of your present ability to overcome impasses. For interpretations of your answers, see page 60.

YES NO

- | | | |
|---|--------------------------|--------------------------|
| 1. Do you believe you can cause your own impasses? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are you irritated when you run into opposition from a higher executive? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do you review your division or department procedures from time to time? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Have you ever questioned a company policy or regulation? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Do you feel that it is important for you to present your ideas in person? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Do you always try to keep your plans out of the jurisdiction of committees? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Are you generally amenable to changing programs you originated? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Are you concerned about getting credit for plans you conceived? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Do you ever turn to others for help in advancing a plan you have originated? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Do you shelve a plan when you run into an unforeseen obstacle? | <input type="checkbox"/> | <input type="checkbox"/> |

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you have run into a situation where the pen is mightier than the voice. If so, some well chosen words in writing may get you past the barrier.

In any event, choose your communication path consciously and carefully. Modern corporate management is aware that many such paths must be provided.

Thomas J. Watson, Jr., chairman of the board of International Business Machines, says:

"I think the principal lesson we have learned in communications as we have grown is to set up a number of pipelines, both upward and downward. A large number of communication paths may seem unnecessary but we have found that any one is only partly successful, that certain types of information flow best over certain paths, and that not all groups of employees prefer the same communication paths—either upward or downward.

"The management must have a wide selection of communication means at its disposal. And, probably even more important, the employee must have a variety of ways through which he can make his voice heard by the management."

► Find an ally.

The man holding up your idea may be a fence-sitter, one who doesn't like to decide things. This can be the most frustrating kind of impasse, just waiting.

To topple the opposition into your corner frequently calls for extra strength in the form of another person. Naturally, you will have to choose your ally carefully. Most importantly, he must be someone who believes sincerely in your idea and is not just going to give it lip service. Fence-sitters need and look for security. Your ally will provide the additional strength he needs to make the decision.

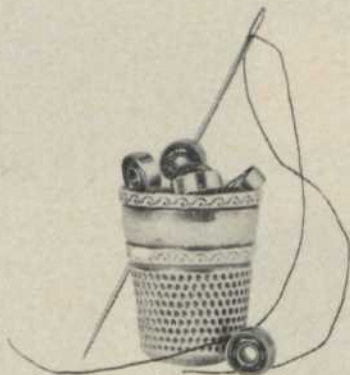
► Meet the roadblocker in person.

Some impasses exist because the man-with-idea and the roadblocker never see each other.

An idea cannot always be developed effectively on paper. Further-

Answers to questions on page 59

If you have answered Yes to questions 1, 3, 4, 5, 7 and 9 (and No to the others), chances are that you are among those executives who know how to break an impasse.



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WORK FASTER

continued

more, even when an idea is clearly presented on paper, it cannot always be sold that way.

That is why a face-to-face meeting is often desirable, especially when you have great confidence in the plan or program you have developed and you feel that your own interpretation is essential.

► Arrange for a group to consider your idea.

There are times when it becomes necessary to get your plan out of the grasp of one man. This is especially so when you have tried the steps outlined above, and haven't made much headway.

True, committees are sometimes delaying factors. But when a committee becomes a possible means of loosening a blocker's solitary grip, it is the lesser of two disadvantages.

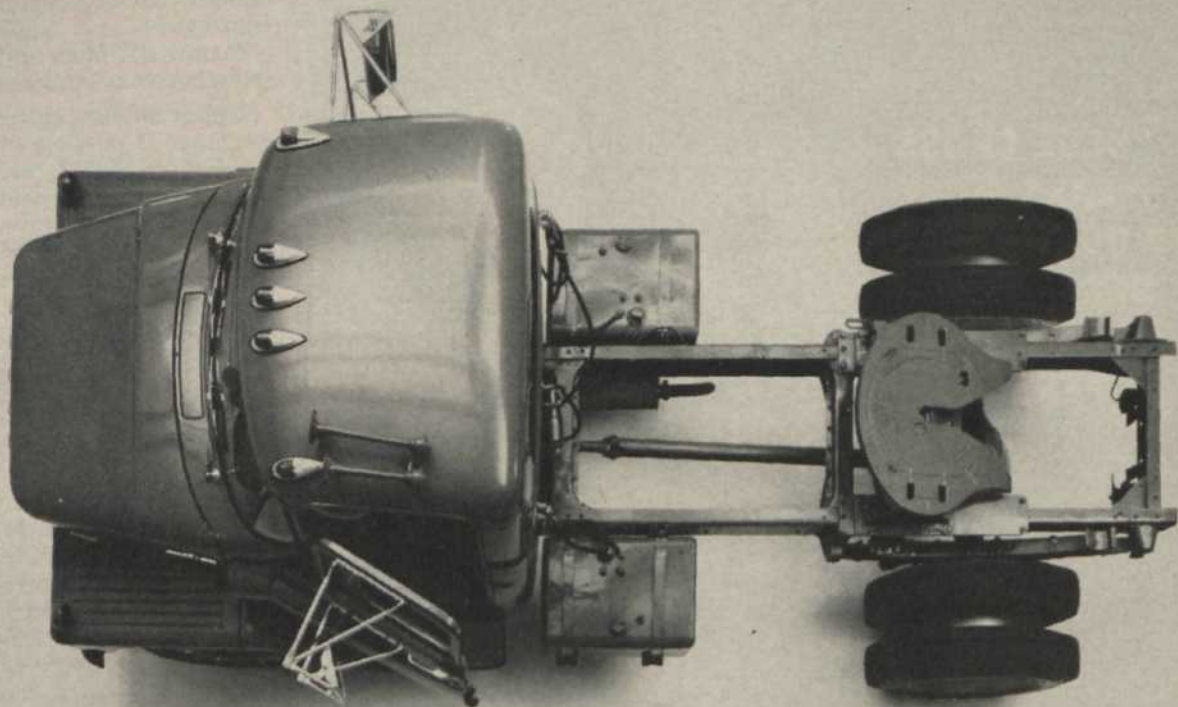
If your idea has merit, the probability is that a consensus will back it. When the man-in-the-way experiences this tangible group acceptance, his resistance is likely to thaw.

External circumstances

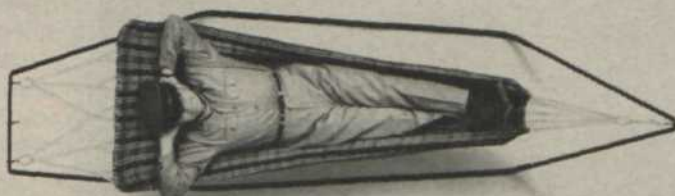
A sudden flow of unexpected work, a company reorganization, a tight-money market, the death of a key executive, a new president, a new competitive product—these are but a handful of the infinite number of events or circumstances that create new problems, new roadblocks to getting your work done faster. It is not always easy to roll with the punch of an unexpected change.

Thomas F. Patton, president of Republic Steel Corporation, recently told a group at New York University: "The sixties will place a premium on the seven-league boot kind of improvement which leapfrogs the conventional and strives for the breakthrough into new methods and new technology. . . . The management man of the future must have the moral courage to make momentous decisions often based on a confusing array of facts. He will need creativity and innovation as well as caution. He will have to be flexible in the face of changing situations, using past experience when he feels it applies but throwing it overboard whenever circumstances require that he do so."

No matter how serious or complicated the new situation may appear to be at first glance, there is obviously no point in pressing the panic button. A calm appraisal of



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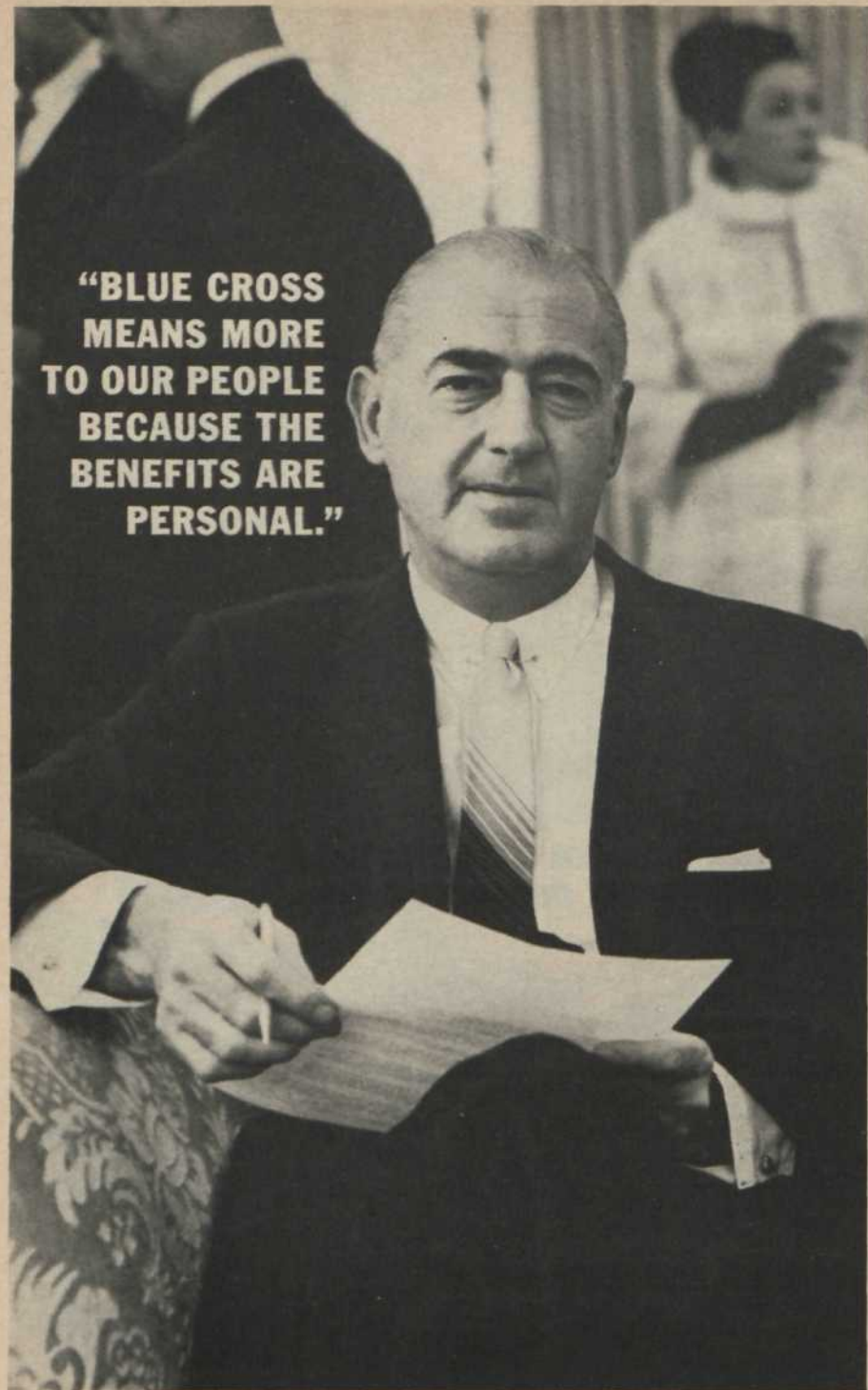
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WORK FASTER

continued

the new circumstances is the first requirement.

Then what? Here are several possible courses of action:

► Exploit the new situation to your advantage if possible.

New facts, new faces in the executive team, new channels of administration sometimes result in unexpected new opportunities. So it is a good idea to canvass the unanticipated situation for promising possibilities.

A new competitive product, for example, can spur you to improve your own product.

A sudden flow of unexpected work is sometimes a blessing in disguise. It may compel you to delegate some of the tasks you are doing yourself—a step you were reluctant to take before.

After the initial shock of unforeseen change is over, stop fretting about it.

► Proceed with part of your original plan.

Nearly every plan is made up of a series of steps. It is not always essential that these steps be carried out in a rigidly preconceived sequence. Look over your plan again when new circumstances intervene. It's likely that you will be able to proceed with some of the steps. With a realignment in the order of the steps or with some slight changes in deadlines, you can often break the impasse.

► Use the new circumstances as the basis for resubmitting the plan.

Sometimes the roadblock you face is an illusion. You may think the new situation spells trouble for your program. In reality, it may have produced a chance for a second look at your idea.

Try rewriting your plan in the light of the new circumstances. The new situation will suggest new references, new words, new illustrations. Try a new title or a rewording of the introduction. Try stressing some aspect of your idea that is especially well adapted to the new situation. These kinds of changes—not affecting the heart of your plan—will give it a fresh start.

Practices and procedures

In his book "The Uncommon Man," Crawford Greenewalt, chairman of E. I. du Pont de Nemours & Company, says, "Back in 1902, a very wise administrator in the du Pont Company wrote into our first

incentive plan a provision which perhaps anticipated this trait of human nature [that original thinking has never found a ready-made acceptance]. It is part of that plan today. It provides that, in setting awards, special consideration be given to individuals who achieved a goal 'in the face of objection, from within or without.'

"It has always seemed to me that this provision characterizes the spirit of individual effort. Perhaps conformity represented a clear danger as far back as that day when the architects of the plan . . . saw the need of goading the timid and diffident and offered special rewards to those who would break through the barriers. The offer is still open and, as long as its spirit is maintained, we face the future with high confidence."

At first glance, nothing seems like a greater hurdle than a company rule, regulation, or procedure when it stands squarely in the way of the idea you are projecting. But in many cases a rule's bark is louder than its bite.

This is not to suggest that the answer lies in breaking the rule. On the contrary, the following are rule-abiding suggestions:

► See if the rule can be waived or modified.

Regulations are rarely inflexible. Before you surrender to a rule, first see if it can be changed. Investigation may reveal that the rule has outlived its usefulness and is badly in need of revision. If so, perhaps you can take immediate action to alter the rule.

Even if we assume the regulation is a good one, your program may represent one instance in which the rule should be waived by the proper authorities. Though the rule will continue to stand, the waiver breaks the barrier and lets your idea get through.

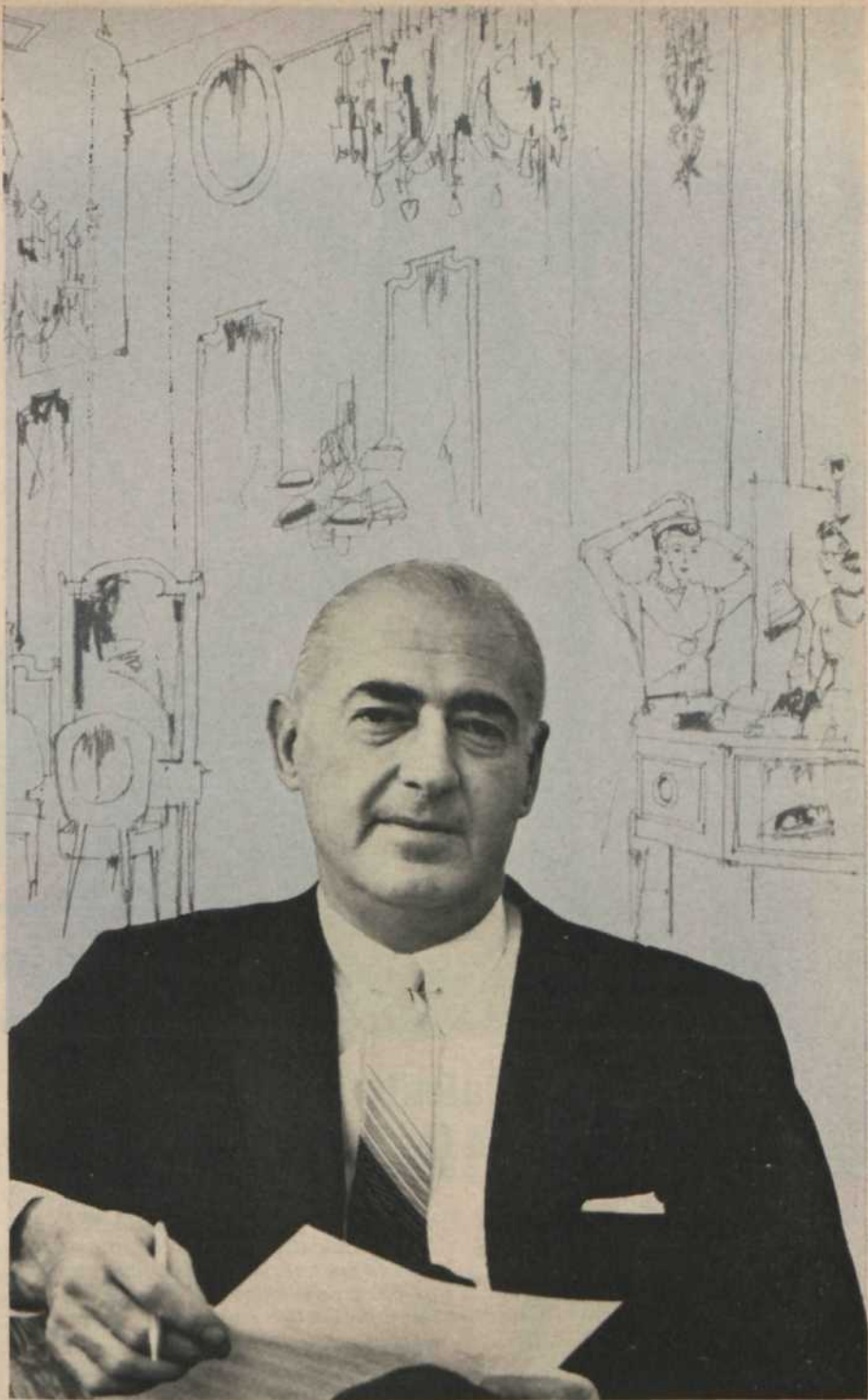
Then again, your solution may lie in an interpretation of the rule. Sometimes the same words mean different things to different people. The rule may be broad enough to cover several interpretations.

Before you permit a rule to force you to throw in the towel, see if it has any give.

► Suggest a new procedure.

If the procedure standing in your way can't be waived or modified, consider a direct attack on it. Company procedures are not divine.

Joseph A. Grazier, president of American Radiator and Standard, says: "Organization concepts and practices must have sufficient ri-



ANDREW GOODMAN, President, Bergdorf Goodman Company

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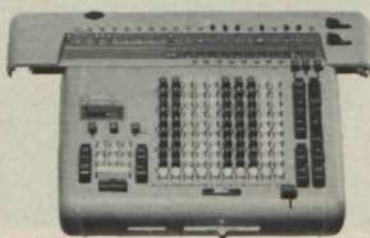
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gidity to give strength and vigor to the purpose, yet must allow flexibility for constant revision and adaptation to meet changing needs and conditions and to meet the differences in the natures of the men—even the nonconformists—who fill the structural positions."

Many procedures roll merrily along for years simply because they are not seriously challenged. A sound objection to the hampering regulation may hasten the demise of the rule.

Bear in mind, too, that a barrier may exist not because there is a procedure—but because there isn't one. If your problem is the result of a void, draw up the rule or procedure needed and get it approved. By making your own "how to proceed" signals, you give your plan smooth sailing on a made-to-order course.

Yourself

When an impasse comes into view, it is human nature to look outside ourselves for the villain. Surely it must be someone else or some circumstances beyond our control that has caused the slowdown or halted our program.

But the truth is that we ourselves are often a principal ingredient in the slowdown. In what ways? By failing to follow through. By refusing to make a compromise or concessions. By trying to do too many things at once. By publicizing the problem.

The remedies are apparent:

► Follow through.

Projects need to be pushed—continuously. If, after initiating a plan, you wait passively for things to happen, you are in for a disappointment.

Take a close look at your current impasse. Check to be sure that your own foot isn't on the brake.

► Give a little.

How often we cling stubbornly to an idea, fearful that the slightest alteration will ruin it. By so doing, we may be precluding the one move that would crack a hole through the barrier.

However, suppose we give the objector a chance this way:

"Do you have any suggestions?"

"I would welcome your opinion on this."

"Perhaps this plan should be modified in some way."

"Is there some part of this plan

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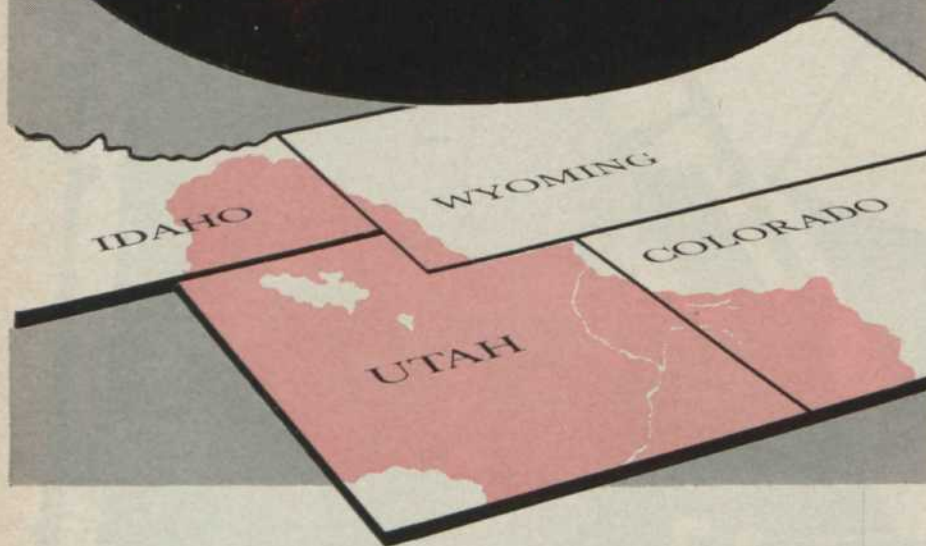
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continued

on which you would like further information?"

Even when the blocker doesn't have any valid objection or any suggestions to offer, the impasse may disappear when you give him the opportunity to sound off.

Your demonstrated willingness to make concessions may prove to be the main reason you won't have to make any at all.

► Concentrate on one problem at a time.

When you try to knock over several hurdles at once, you are likely to find that none will topple easily. Select the impasse that is blocking your most important goal, and work intensively on that one first. When that has been broken, turn to another.

► Don't broadcast the problem.

It is surprising how few people besides yourself know about the specific problems confronting you. Unless you see some advantage in getting your idea before a committee, don't magnify the problem by broadcasting it indiscriminately.

It is inevitable that not all in whom you confide will share your point of view. Why add to the potential opposition?

► Take the impasse in your stride.

"The business organization of today is the business of change," is the viewpoint of Gerald L. Philippe, president of General Electric Company. "We need individuals who can live with change, who welcome change because of the opportunities it constantly throws open."

The keys described above will help you unlock many a barrier. They will suggest that there is usually more than one door through which you can move toward your next goal.

"The positive view is the thing," says one distinguished executive, "the searching for new and better ways of doing things. Anybody can tell you something won't work. But the real management man—the dynamic management man—is the man who finds a way."

—HOWARD R. DRESSNER

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Double standard builds union power

How labor's grip blocks solutions to economic problems

AMERICA'S ECONOMIC HEALTH is threatened by obsolete laws and excessive union power.

In the 1960's these two factors are seriously blocking the solution of four great national problems. Only remedial congressional action seems likely to ease their damaging effect.

The four problems which are complicated by outdated labor laws and rampant unionism are these:

► **Economic growth:** The Administration has repeatedly called for faster growth, to "get the country moving again." Forward movement, however, is slowed by impediments and roadblocks put up by a trade union officialdom determined to preserve an archaic status quo.

Clearly, for example, economic growth calls for the elimination of featherbedding and the installation of as much automated and high-speed, high-productivity machinery and equipment as available capital can afford. But many trade union leaders strongly resist technological progress as the New York newspaper and East and Gulf Coast dock strikes have demonstrated. The bogus type and inefficient work gang size that figured in these strikes can

be matched by similar antigrowth featherbedding impediments in virtually every organized industry.

In the railroad industry, for instance, Southern Pacific recently signed an agreement with the Order of Railroad Telegraphers that S.P.'s 946 telegraphic employees will hold their jobs for life or be paid in full to retirement or death even if their jobs are entirely abolished.

Strikes also take their toll of economic growth. Strikes cost the nation 19 million man-days of labor in 1962—almost three million more than in 1961. According to the Labor Department, some 3,550 strikes tied up 1,250,000 workers last year, which doesn't include workers laid off in other strike-affected industries.

► **Inflation:** Strike losses, however, are like icebergs. That part which can be seen—that is, the number of man-days lost—is but a small part of the rest of the cost. To end or avoid strikes, management many times must settle on terms higher than those that would have been justified. Such settlements have been responsible for the squirrel-cage wage-price spiral that has characterized the U. S. economy since V-J Day.

To be sure, the spiral has slowed somewhat in recent years, but plainly it has not stopped. It threatens to accelerate as trade union leaders become more emboldened in their current demands and as Keynesian deficit finance again becomes fashionable in Washington.

As economist Jacob Viner of Princeton predicted as early as 1936:

"In a world organized in accordance with Keynes' specifications, there would be a constant race between the [money] printing press and the business agents of trade unions."

► **Unemployment:** Since the end of the Korean War, the unemployment rate has been trending upward, currently hovering between 5.5 and six per cent—far above the four per cent maximum goal of the Kennedy Administration.

The cause of this unemployment is anything but mysterious. It is precisely the same as that which diverts much of U. S. farm output into government inventory: overpricing. Surplus wheat is analogous to unemployed members of the mine workers and steelworkers unions. Coal and steel are, not surprisingly, highly organized industries in the U. S. economy. In both unemployment is extremely heavy. In both wage rates are extremely high. A coincidence? Hardly.

► **Foreign competition:** As Japan and Western Europe flex their industrial muscle, American goods are meeting tougher competition both here and abroad. The plight of the American glass and textile industries in the face of a flood of lower wage imports is well known. James Carey's electrical workers have put heat on the government to stop buying cheaper foreign electrical generators for TVA and elsewhere. Mr. Carey, however, has not offered to cut back or even hold the line on his wage demands to com-

WILLIAM H. PETERSON, the author, is associate professor of economics at New York University. A long-time student of labor relations, he has written on labor and other subjects for various professional and business publications. Dr. Peterson is a member of the American Economic Association and the Industrial Relations Research Association.

DOUBLE STANDARD BUILDS UNION POWER

continued

pete with foreign labor and keep markets for his union members.

Thus excessive labor costs have in the U. S. simultaneously hurt exports and benefited imports, thereby contributing to the balance of payments deficit, which in 1962 was something over \$2 billion.

These four national problems point up that what is lacking in our trade unionism, and more directly, in our labor laws, is competition.

Competition is a good word in the lexicon of government policy in our supposedly competitive economic system. It is plain, though, that competition means different things to the framers and administrators of business and labor regulatory policy.

On the one hand, regulatory policy sanctions noncompetition for employees—or more accurately, for the employees' representatives—while enforcing strict competition among employers through antitrust.

Says economist Simon Rottenberg of the University of Buffalo: "National labor policy permits formation of monopolies in labor markets and the exercise of monopoly power." Consider:

Trade unions are permitted and encouraged to carve out regional or occupational job markets for the exclusive use of particular unions. Last November, for example, the White House hailed the AFL-CIO accord in which unorganized industries and plants were allocated among the 131 union affiliates, many of which have overlapping jurisdictions. Unions are also empowered by law to fix job prices for an entire industry—and to shut down an entire industry nationally or regionally.

The dock and New York newspaper strikes illustrate this power. So powerful was the printers union in the New York newspaper strike that a fact-finding panel of three distinguished jurists charged that there had been no real bargaining on the part of Printers Local Six before or well into the strike:

"A strike was called as a preliminary to bargaining—bargaining was intended to be postponed for



J. O. Jarrard, vice president-industrial relations, Eastern Air Lines:

"Management should aggressively manage, not retreat and bleat for government assistance.

"It should abandon the stagnant, negative attitude that a strike is the end of the world.

"Government should shed its prolabor reputation and attain that of a conscientious, convincing neutral.

"It should appoint fact-finding boards of truly recognized neutrals having only the public interest as their objective. It should support, with vigor, the boards' recommendations.

"It should enact legislation only when absolutely necessary to curb apparently incurable shortcomings of management or labor."



Malcolm L. Denise, vice president-labor relations, Ford Motor Company:

"Action to restore a balanced, equitable situation in union-management relations should be directed toward modification of the circumstances which permit exercise of monopoly power by unions.

"The need is to tailor public policy limiting monopoly practices to the differences between labor markets and product markets.

"Determination and intelligence can produce a solution that will preserve a healthy union movement's values to democracy and will neither expose employees to the risks of exploitation nor endanger their capacity to obtain fair compensation and working conditions."

DEAL WITH UNIONS GIVE THEIR VIEWS



James E. Wolfe, chairman of the National Railway Labor Conference:

"The Railway Labor Act should be amended to provide for compulsory arbitration of unadjusted railway labor disputes.

"Until then, procedures should be provided by executive order for the thorough and expeditious investigation of disputes by competent, impartial and properly equipped agencies charged with the responsibility of recommending specific terms and conditions for settlement.

"All means available to government should be employed to secure acceptance of the recommendations of such agencies without interruption of commerce."



Lyman C. Conger, vice president, Kohler Company:

"The present problem has been created by bias and favoritism toward unions.

"Unions should be made subject to the same laws and rules as everyone else. Antitrust laws should be applicable to unions the same as to all others whose activities affect interstate commerce.

"Unions should be subject to the 'clean hands' doctrine as is everyone else.

"Unions should be made voluntary associations and should have no right of exclusive representation, including representation of those who do not want to be represented, or to force employees into membership."



Louis B. Seltzer, editor, Cleveland Press:

"Require by law that:

"1. No union may call a strike except that a majority of its total membership through a secret and neutrally policed vote order such a move, and

"2. No union be permitted to shut down a plant or business by strike until 10 days after such a majority vote of its total membership has been taken."



Harold K. Daniels, vice president-personnel relations, Parke, Davis & Company:

"An imbalance exists at the present time.

"The government has been too ready to jump into some disputes and let others which involve greater impact on the economy rock along with little pressure toward a settlement.

"The appointment of a panel as biased as the one headed by Sen. Wayne Morse of Oregon [in the East and Gulf Coast dock strike] certainly tends to destroy collective bargaining.

"Members of labor disputes panels should enjoy a reputation for integrity and competence and not harbor any deeply ingrained prejudices for or against one side."

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DOUBLE STANDARD

continued

a long period until the strike has taken its toll."

Or listen to Walter Reuther proclaiming his goal of triple overtime pay for the 1964 contracts of the United Auto Workers: "It is morally indefensible to work one group of employees excessive overtime while others are walking the street. We will fight to change the overtime procedure, not only at bargaining time, but in the legislative halls."

Again, unions are empowered to force unwilling employees to join a union or pay dues without joining (agency shop)—or be dismissed from their jobs. The all-union shop was the heart of the recent dispute in the aerospace industry, in which Lockheed refused to agree with a presidential fact-finding board's recommendation of an employee election on the issue. Lockheed reasserted the principle of minority rights—that no man should be forced to join a union or pay tribute to it.

But monopoly unionism doesn't stop here. The legal double standard of competition permits unions to force employers to deal with one

and only one union; to represent and bargain for all employees in the bargaining unit, including those who want no union or who strongly desire some other union; and to deny membership to any worker in the bargaining unit on any grounds, or on no grounds at all.

Moreover, trade unions are allowed a large degree of immunity from prosecution in the use of coercion and even overt violence in strikes, picketing, and secondary boycotts.

In effect the Wagner Act confers upon unions the coercive and intimidating powers of mass picketing. The Act negates, in effect, the employer's right to treat a striker as one who has quit his job, if need be, and to substitute another worker without violence or the threat of violence. Mass or otherwise coercive picketing also finds extensive support from local police who frequently look away when cars are overturned or somebody gets roughed up.

The ramifications of the double standard do not end here. Unions have practically complete immunity from injunctions by federal courts protecting community, employers, and employees from breaches of contract and violations of public safety. In the words of the Supreme Court in the key *Hutcheson* decision of 1941:

"So long as a union acts in its self-interest, and does not combine with nonlabor groups, the licit and the illicit . . . are not to be distinguished by any judgment regarding the wisdom or unwisdom, the rightness or wrongness, the selfishness or unselfishness of the end of which the particular union activities are the means."

Unions get company data

Unions also have the right, in certain circumstances, to inspect company accounting records and other confidential data. In many situations, labor unions also have the legal right of access to the employer's property, the right to require the employer to make his property available for use by the union in union business, and the right to restrain the freedom and privacy of employees who are not union members, frequently against their wishes. Related to the latter right is the successful drive of printing unions in getting state and municipal legislation enacted aimed at restricting or banning replacement of strikers.

Since 1960, laws along this line have been passed in seven states—

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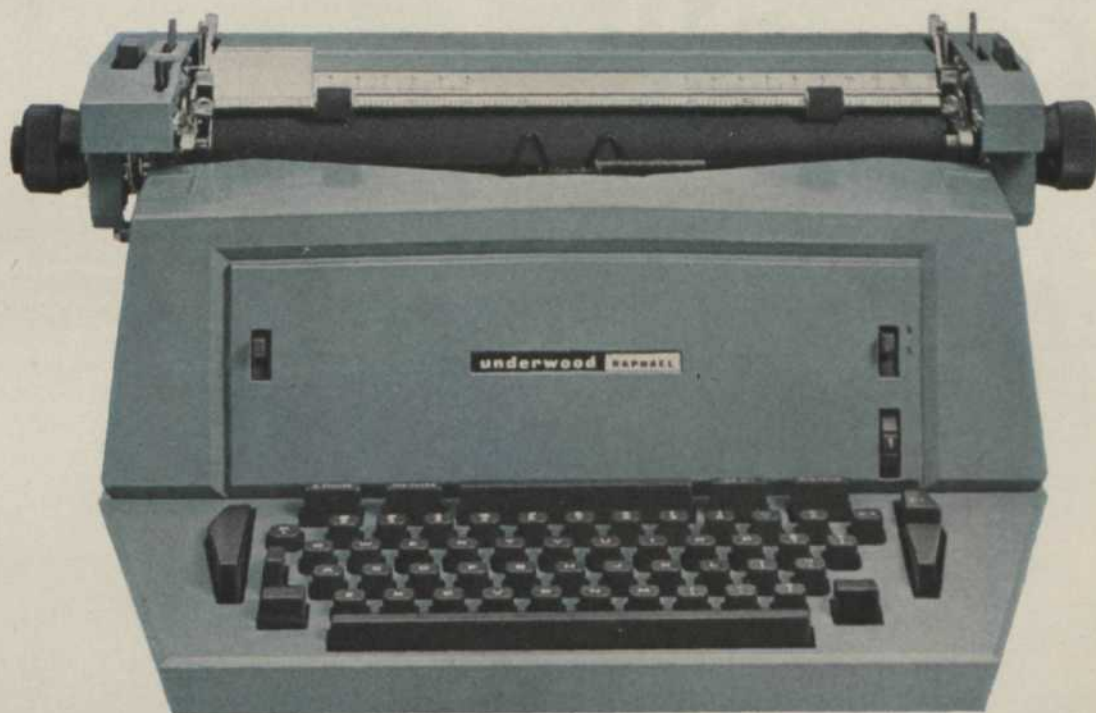
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INTERNATIONAL
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DOUBLE STANDARD

continued

Delaware, Louisiana, Maryland, Massachusetts, Michigan, New Jersey, and Washington. Since 1937 it has been illegal in Pennsylvania to employ out-of-state strike replacements. In New York state unemployment compensation is given to strikers after seven weeks.

Ordinances against replacing strikers have also been passed in nine cities: Wilmington, Del.; Manchester, N. H.; Dunellen, Morristown, Newark, and Perth Amboy, N. J.; New York and Rochester, N. Y.; and Akron, Ohio.

Besides losing some of their hiring rights, employers are also losing some of their property rights. In a recent three to two decision of the National Labor Relations Board, for example, Deering Milliken was ordered to rehire and reimburse pay losses of more than 500 workers dismissed when the company closed one of its mills six years ago. The NLRB agreed unanimously that the company shut down the mill because employees had voted in favor of a union—a charge denied by the company.

Further, unions enjoy under a double standard exemption from taxation and substantially from liability for personal or property damage to employers or to others by union members involved in union activities, such as in strikes and picketing.

The double standard has still other ramifications. Under the Davis-Bacon Act, tax money is paying excessive union-enforced wage increases in missile base contracts and elsewhere. The Walsh-Healey Act similarly sets up minimum wages and maximum hours for government contracts. In addition wage-hour legislation sets ceilings on hours and floors under wage rates in private contracts. In the face of hard-core national unemployment, the floor was raised 15 cents an hour in September 1961, and will be given another lift of 10 cents in September 1963. No equivalent price floors exist under the selling prices of business.

Real wages can come only from production—that is, from sold production. Hence wages are paid essentially by customers. Employers are but intermediaries.

But suppose the customer won't pay the higher price for structural steel, or a ton of coal. Then jobs disappear, or hours are cut.

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DOUBLE STANDARD

continued

to a free society and collective bargaining is administratively inevitable and frequently desirable in a mass-production industrial society. Moreover, a good society should prohibit collusive attempts by employers to press down wage rates below free market levels.

But if a cartel to depress wage rates or to rig product prices is reprehensible as a matter of public policy, how can a cartel to raise wage rates above the market level be desirable, especially when such rates lead to unemployment and its attendant evils?

As Joseph L. Block, head of Inland Steel and a member of the President's Labor-Management Advisory Committee, reported to President Kennedy:

"The occurrence of national-emergency disputes is, in my opinion, due in large part to the monopoly power which enables a single union—or combination of unions—to call a strike that brings to a halt all, or the preponderance, of the production in a vital industry. Surely the possession of this power is not in the public interest. It should, therefore, be curbed by law, just as Congress has protected the public by enacting the antitrust laws to prevent business from having monopolistic powers. And, naturally, any such law should apply equally to management in respect to lockouts as well as to unions in respect to strikes."

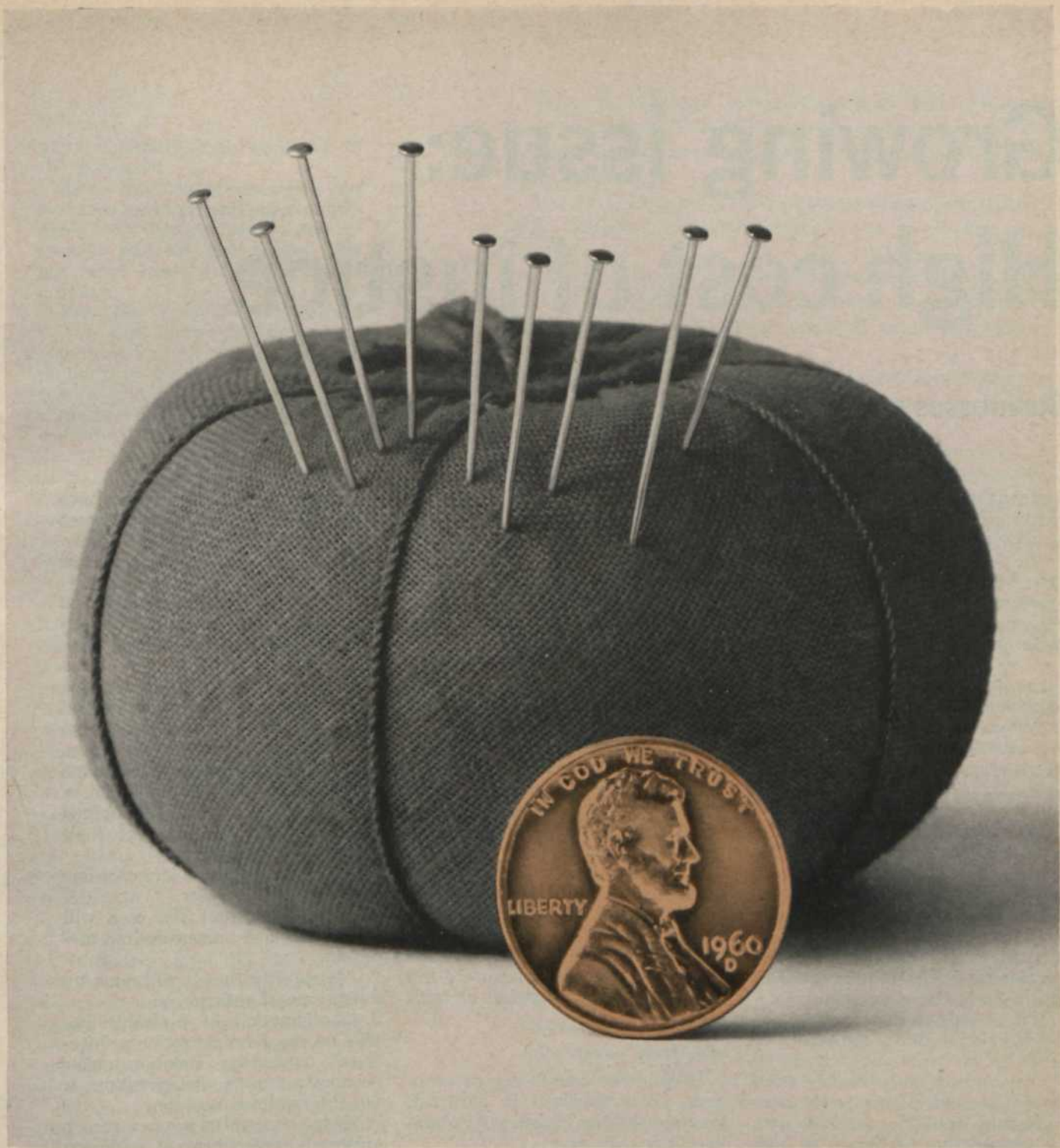
Trade union leaders have to face up to the fact that they are going nowhere fast. Not only are unions inadvertently contributing to unemployment, they seem to be approaching quite a pause in the labor "movement."

Since 1955, the labor force has expanded by six million, yet total union membership has stood still at about 17 million.

Trade union leaders—and the framers of public policy in the White House and Congress—could take a lesson from Samuel Gompers, who said, in his final presidential address to the AFL in 1924:

"Guided by voluntary principles, our federation has grown from a weakling into the strongest, best organized labor movement of all the world. . . . I want to urge devotion to the fundamentals of human liberty—the principles of voluntarism. No lasting gain has ever come from compulsion. If we seek to force, we but tear apart that which, united, is invincible."

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Growing issue: High cost of justice

Businesses undergo trial by ordeal when government prosecutes

PRESIDENT KENNEDY is deeply concerned with protecting the rights of individuals hauled into court.

"In the typical criminal case," he says, "the resources of the government are pitted against those of the individual. To guarantee a fair trial under such circumstances requires that each person have ample opportunity to gather evidence, and prepare and present his case.

"Whenever the lack of money prevents a defendant from securing an experienced lawyer, trained investigator or technical expert, an unjust conviction may follow."

There have been no similar expressions of concern about the rights of the business executive or company against which the government has massed its legal strength.

The problem is put this way by Richard P. Tinkham, a member of the Board of Governors of the Wisconsin State Bar Association:

"When substantial corporations and individuals find it too expensive to contest antitrust suits brought by the government and therefore enter pleas of no contest because the maximum fines would be much less than the cost of the defense, it is high time that something be done."

The overwhelming power of the government in antitrust and regulatory cases is an important worry in the minds of many businessmen.

This worry is compounded by uncertainty. The complexity of the laws and political vagaries in prosecution make it impossible for most companies to be sure they won't be a target.

Of course, many prosecutions arise from complaints by honest businessmen against the dishonest. But there is concern whether enforcement involving the honest—or

the unwitting violator—creates injustice in itself.

How do government officials, antitrust attorneys and corporate executives assess this problem and the chances of an individual company to stand up to a steamroller prosecution?

Citing an example of the laws' intricacies, George D. Reycraft, former chief of the Justice Department's litigating sections, says:

"Any company doing a large amount of business will have trouble with the Robinson-Patman Act," which bars price discrimination. "You have to assume that you are going to violate it."

While the Federal Trade Commission offers advice on proposed business activities, he says, the facts of life make guidance of this sort unattainable to the field sales manager who must shoot from the hip in the day-to-day conduct of business.

Who'll be next?

Despite the complexity of economic issues involved in antitrust, Professor Milton Handler of Columbia University says:

"The [enforcement] trend today veers toward the strict and automatic rules of the Fifteenth Century."

William F. Kenney, vice president and general counsel for the Shell Oil Company, comments, "I think that most of us believe, with the very few judicial guidelines we have, that if the Department of Justice or the Federal Trade Commission files suit on a merger case, none of us can give our client any definite assurance that he is going to win it."

Mr. Reycraft observes that

whether FTC or Justice, which have overlapping authority, acts in a case rests on the luck of the draw. "Initially," he says, "it's a matter of chance."

Joel Dean, professor of business economics at Columbia University's Graduate School of Business concedes:

"The policies of these administrative agencies . . . are influenced by continuously changing political pressures and economic forces. Thus, the selection of defendants brought into court for violation of antitrust laws is not determined solely by the enormity of their alleged transgressions."

He lists as other factors of prime importance:

1. "Likelihood that the case will establish a government-desired precedent.
2. "Possibility that it will open up a new area of antitrust sin.
3. "Anticipation of favorable impact on the Administration's objectives"—combating inflation, slow economic growth, deterioration of our international position.

"Some economists see in vigorous antitrust prosecution of collusion and conspiracy a versatile cure for all three of these national economic ills," he says, and adds: "Conspiracy proceedings are attractive because they spot the scapegoat and seem to offer a direct solution: If we can alter price behavior by antitrust action, we need worry less about the underlying causes of this inflationary behavior."

Even within the Justice Department, Mr. Reycraft notes, there is unevenness of enforcement among the several litigating sections to which various industries are assigned, depending on the philoso-

CASE HISTORY OF A WINNER

phy, capability and workload of the personnel.

As to selection of cases, you can find lawyers in private practice who agree with Justice Department attorneys that the government does not bring cases with no apparent grounds.

But New York attorney Jerrold G. Van Cise, former chairman of the American Bar Association's section on antitrust law, pointedly remarks that this does not mean that all these cases should be instituted—in some the violation, if any, has ceased—or that they could be won.

In an FTC case, Commissioner Philip Elman commented that an order, "based as it is upon events of nearly a decade ago, has little relevance to present conditions."

Overlapping enforcement and investigation is exemplified by the congressional probe of the drug industry, which was followed by an FTC action. A hearing examiner ordered dismissal, the Commission heard arguments, Commission personnel changed and the whole case was reargued.

Meanwhile, the Justice Department stood in the wings with a criminal complaint. This leads one authority to complain that if criminal prosecution were deemed in order, the FTC should never have gotten into the case.

Why companies give up

Authorities agree that the burden of fighting the government's massive power is so great that some businesses throw in the towel even though they have the resources to go through the courts—and even though they know they're right.

When a company is charged, rightly or wrongly, with breaking the law, it faces staggering costs, far beyond out-of-pocket legal expenses, and a tremendous competitive disadvantage, including disastrous publicity.

As to outright costs, two of the most celebrated cases involved the Tulsa, Okla., price-fixing charges against 29 oil firms which laid out some \$10 million before the case was thrown out of court, and the action against three salt firms which spent \$750,000 in successfully defending themselves against charges that would have carried fines of only \$150,000 all told. The cost to one defendant, who faced a \$50,000 fine,

When the Supreme Court of the United States refused to hear a Federal Trade Commission case against the Evis Manufacturing Company of San Francisco, the firm won a hollow victory.

For Evis, exhausted and in debt after six years of costly legal battles and adverse publicity, was on the way out of business.

"The Evis case is an outstanding example of the extreme difficulties which a small business faces in defending itself against charges brought by a federal regulatory agency," says one of the firm's lawyers.

"The net result can perhaps best be summarized by saying that our efforts on behalf of our client were successful in winning the battle but in losing the war."

Evis was charged with false advertising in its claims for the performance of a water-conditioning device that satisfied an impressive number of industrial users despite the absence of any recognized scientific principle for its operation.

Thus much of the testimony pitted laboratory experts on one side against practical users that included federal and state agencies, colleges and other institutions, steamship companies, oil companies (including drilling operations), lumber and plywood mills, department stores, laundries, and restaurants.

"It appears, on the one hand, that we may be here concerned with a worthless gadget," said the hearing examiner, "while on the other, we may be here confronted with the first practical application of a device operating upon a principle heretofore unrecognized by present-day science."

He therefore refused, because of defects in the laboratory findings against Evis, to order Evis to cease and desist from its advertising claims. But he also declined to make a positive finding that the device "does beneficially affect water passing through it."

He was reversed by the Commission twice after hearings stretched over a four-year period, producing 124 witnesses, 4,000 pages of transcript, 68 exhibits, and held in Los Angeles, San Francisco, and Fresno, Calif.; Pullman, Tacoma and Seattle, Wash.; Portland, Ore.; Cleveland, Ohio; Washington; Dallas; and Charlottesville, Va.

After the Commission issued a cease-and-desist order, Evis appealed to a federal court of appeals which reversed the Commission. FTC in turn, appealed unsuccessfully to the Supreme Court.

What happened to the firm, meanwhile? According to Arthur W. Wells, inventor of the device:

- Evis had to borrow heavily to meet \$285,000 in legal expenses alone.
- Sales dropped from \$1,250,000 a year to almost nothing.
- The firm was forced to bear increased costs of a stepped-up sales effort, plus the burden of handling stocks that bounced back from distributors and dealers.
- Morale sagged and management began to disintegrate.

"What the FTC prosecution did was to ruin the management and good name of a thriving business," Mr. Wells says. "But we won the case."



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COST OF JUSTICE

continued

was nearly \$400,000. It was cases like these that led Cyrus V. Anderson, associate general counsel for Pittsburgh Plate Glass Company, to comment: "Even when you win, the price of victory is often awesome."

To state it another way, one top antitrust lawyer based in New York points out that defense during a grand jury proceeding can cost a business \$5,000 to \$6,000 per month, actual trial \$3,000 to \$5,000 per day.

He further points out that expenses of unsuccessful defense are not tax deductible, and a combination of state laws, corporate by-laws and pertinent court decisions can dump some expenses squarely on individual officers who are defendants in criminal cases.

Mr. Van Cise recalls one case in which the costs of printing briefs, memoranda and exhibits, plus other nonlegal expenses, ran into the "hundreds of thousands of dollars," exceeding even the legal fees.

A chill March rain was drenching Washington last year as a federal bureaucrat convened a three-day hearing in sunny California.

His purpose was to probe the educational background of a witness in an FTC case who had claimed possession of college degrees he really didn't have.

So lawyers for the accused firm had to make the costly trip to Los Angeles with the FTC's hearing examiner and counsel, then back to Washington, and to New York for more of the same.

The importance attached to the much-investigated witness was such that the hearing examiner failed to mention him altogether in his initial findings in the case, despite the thousands of dollars spent taking testimony about him.

Stated in terms of underlying spadework, the cost prospects can be even more forbidding. In his definitive "Price Discrimination Under the Robinson-Patman Act," Washington lawyer Frederick M. Rowe noted:

"The Minneapolis-Honeywell cost justification entailed the work of four to eight accountants and analysts [from] an accounting firm over nearly nine months.

"In the Sylvania case, seven months and more than 3,000 man-hours under the supervision of corporate officers as well as independent CPA's were devoted to the study—which additionally secured

the imprimatur of sound accounting practice bestowed by a knowledgeable professional authority on matters of Robinson-Patman accountability.

"The B. F. Goodrich cost justification consumed a comparable [amount] of executive and professional talent and time, with 're-computations' of a revised study alone requiring 495 man-days over five and a half weeks at an outlay of 'a minimum of \$25,000 and very probably much more.'"

Beyond this extravagance in money and executive talent, adds one authority, is the burden of distraction borne by the executive, distraction from his work that in a case involving criminal charges or severe threat to the business can amount to paralysis.

Add in the fact that a guilty finding in a Justice Department case can invite a flood of treble damage suits—as is not the case in pleas of no contest—and you see why the same authority tells **NATION'S BUSINESS**:

"Even with many substantial firms, the cost is the deciding factor in throwing in the towel."

"I don't know how frequent this is," adds Mr. Reycraft, "but I'm sure it's happened."

What publicity costs

Regardless of the outcome, the damage from adverse publicity is often irreparable, acquittals having a way of never making the same splash in the public prints as the initial charges.

"Get this over with as quickly as possible with a minimum of publicity," is the refrain one antitrust lawyer with Washington experience reports hearing from many clients.

He points out that less scrupulous competitors tend to make sure a respondent's troubles with the government don't go unnoticed by customers, pointing out: "Look what my horrible competitor is doing."

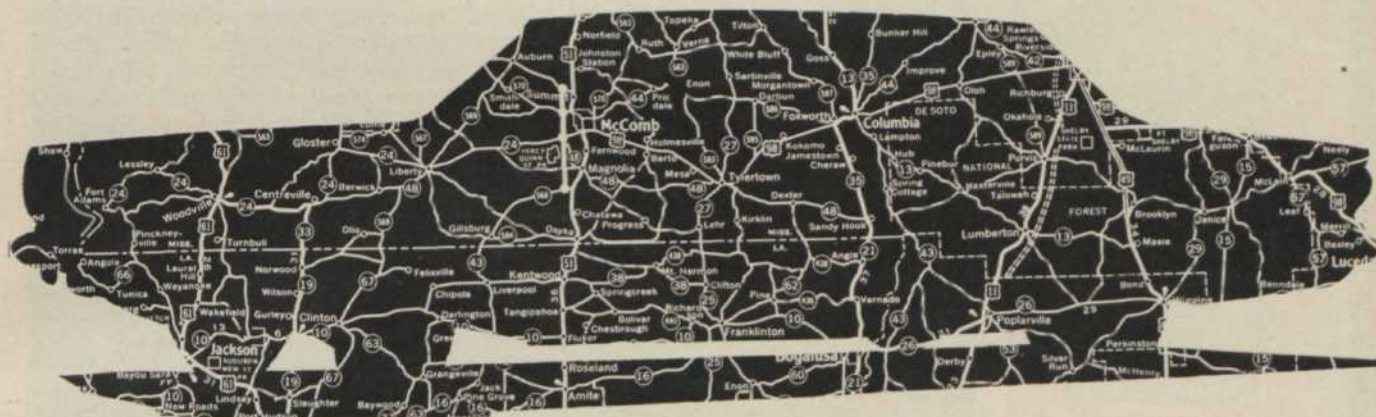
"The bigger you are, the less cost worries you," adds Mr. Van Cise, "but the publicity can be disastrous."

So why fight?

"If everyone lies down and throws in the towel," says one expert, "these agencies will naturally tend to expand their activities. If businesses feel unjustly pursued, they have a civic responsibility not to keep retreating."

Furthermore, even an outcome short of total victory often serves to trim back the scope of government attempts at regulation, preserving freedoms for the individual

THE DEPENDABLES FROM DODGE!



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COST OF JUSTICE

continued

business, the industry, and the economy at large.

Commissioner Elman and others note that in the case of FTC, the tendency is to write cease-and-desist orders that embody prohibitions far beyond repetition of the offenses at issue. The Supreme Court, in fact, has warned the Commission to tailor its orders to the facts.

"The majority on the Commission doesn't seem to have heeded the warnings," comments Professor Glen E. Weston of George Washington University.

The breadth of the orders, adds attorney Ira Millstein of New York, is a particular burden because of the punitive \$5,000-a-day penalties

You can get your work done faster if you get rid of annoying roadblocks. Useful suggestions are on page 58

that can be imposed for violation of any part of a cease-and-desist order.

"It's a matter of business reputation," declares one lawyer in citing a client who is fighting an FTC order his client would have no trouble living with.

Mr. Dean warns:

"A final precaution is to be wary of the quick route if you are confronted with an antitrust proceeding. Because of the expense of litigation and treble damage suits that may follow an unsuccessful antitrust defense, the incentive to settle antitrust litigation by consent order may at times be strong.

"Particularly with reference to conspiracy charges I think this tendency a very unfortunate one, not in the long range interests of the economy or of the individual industry or company.

"While business needs to be extremely cautious in seeing that it does not violate the conspiracy laws, it needs to be equally vigilant not to allow its freedom to compete to be limited by threat of prosecution, frequently founded on relatively unsophisticated economic analyses.

"If the prospective consent order

will hamper managerial authority for many years into the future, or even worse, if it is so loosely drawn as to depend wholly on future administrative interpretation... long-run costs may far outweigh the short-run gains."

Improvements needed

Experts on both sides of the fence agree that these burdens, often complicated by technical or sophisticated economic issues, are inherent in our system of law enforcement, a system far preferable to the alternative of detailed regulations drawn in hopes of covering every conceivable dispute.

These would limit rather than increase business freedom.

But that is not to say there is no room for improvement, even improvement by legislation.

Agreement is hard to find in such a controversial area. But several sources suggest some procedures to ease the burden on business:

- Clear statement of government policy as to the goals sought under antitrust.

- Concentration of enforcement on matters of real impact on the economy.

- Prohibition of criminal prosecution in cases where the law is uncertain, precedents are being reversed, new principles are being established and no criminal intent is shown.

- Use of divestiture as a last resort, on grounds it has the effect of punishment under retroactive law.

- Abolition of the mandatory treble damage awards in civil actions based on criminal convictions, leaving discretion to the judge in the individual case.

- A full-dress review of the Robinson-Patman Act, which has proved the greatest burden to small business.

- Evenhanded enforcement, to avoid leaving the individual firm singled out for prosecution at a competitive disadvantage.

- Provision of an opportunity for businesses to comply voluntarily without formal prosecution when violations are alleged.

Commissioner Everett MacIntyre has proposed a formal "pre-investigation conference" procedure for FTC which he claims would aid in this voluntary compliance.

Mr. Van Cise notes that the suggestion indicates government awareness of this aspect of the problem and that it should be given serious consideration. Others, recalling past efforts at procedural reform by FTC, prefer to wait and see. **END**



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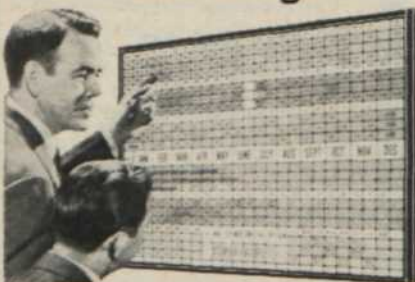


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BUDGET CUTS

continued from page 39

scientists available. An increase in direct and indirect construction would tap conventional human and physical resources, but that is about the only part of military outlays which would tend to encourage the economy.

Yet unemployment is primarily concentrated in four areas: 1, young people—primarily the unskilled young; 2, older people whose skills are being bypassed by changing science and technology and by changing markets; 3, depressed areas dependent on declining industries or markets; and 4, others who are unable to adjust to social conditions—the physically and mentally handicapped, the socially maladjusted. It is obvious that military spending is of little help to any of these categories.

What would more likely happen if military spending were boosted would be an increase in the pay scale for those already employed. A look at the help wanted section of any metropolitan newspaper will show columns, if not pages, of ads for skilled workers, engineers and scientists. MIT's Dr. James R. Killian pointed out recently that research and development expenditures are increasing about 15 per cent per year, but the number of scientists and engineers is increasing by about six per cent per year. Increasing outlays in this area would mean more dollars chasing after fewer people.

The story is similar, only more so, on space research and technology. A spending increase of a quarter of a billion dollars here would be, to an appreciable extent, at the expense of research and development elsewhere, and at the expense of teaching time in schools and colleges.

Increased expenditures for agriculture along current lines also would do more harm than good. Subsidies, by their nature, lead to increased production without relation to markets, and so tend to be self-defeating in the long run. Efforts to curtail acreage cannot succeed as long as production per acre can rise as fast or faster than the number of acres that can be curtailed. The Agriculture Department is on record as recommending a decrease of more than 30 million in the number of acres cultivated. But producing more per acre of land will continue to increase production.

If, however, more money were

used for retraining, for helping farmers get into nonagricultural employment, the tax dollar could be productive. As a matter of fact, the Department is moving in this direction. The trouble is, of course, that expenditures for this purpose are in addition to, and compete with, those supporting higher production.

More spending on natural resources would be useful providing they were not pork barrel expenditures—and even some of these could be useful.

In some areas, it might be wise to buy land for parks. But in terms of reducing unemployment this year or next, the return will be low.

Money changes hands when land is purchased but nothing new has been produced, and no employment is created. And if the money that changes hands came out of the taxpayer's pocket the net result in the economy may be zero or less than zero. The taxpayer has less to spend, and the seller of the land may take some time to plan how to use his money. Employment may be reduced until the money gets back into circulation.

So, when the federal government raises money through taxation, it takes it away from the citizen and spends it on goods and services which require a minimum of plant and equipment and a maximum of skilled labor. Aside from defense, it spends the money largely for services.

The citizen would have spent more of the money on goods which require more plant capacity, more unskilled labor, and more services per dollar of expenditure. The switch from private to government hands, therefore, means a reduction in the demand for plant capacity and a reduction in the demand for unskilled labor.

Of course, there are times when government expenditures are beneficial. For instance, if private citizens are not spending, government expenditures can be useful.

Efficient federal spending for needed services, such as the post office, weather forecasting, highways, control of epidemics, is necessary.

Whatever spending is needed for defense, of course, must be done. But from the standpoint of whether federal spending does as much for the economy as private spending the answer in general must be that it does not. Growth is slowed when the federal government takes over more and more of the economy.

—ROBINSON NEWCOMB

FINANCIAL STATURE FOR A GROWING SOUTH

Capital Resources of Banks in Alabama, Georgia, Florida, Mississippi, Exceed \$1 Billion

One of the keys to the sound economic expansion of the South has been the rapidly growing ability of institutions within the area to finance requirements of business and industry. Prime examples are the strong, progressive banks of Alabama, Georgia, Florida and Mississippi. Capital resources increased from \$692,471,000 in 1956, to \$1,088,161,000 in 1961 — a 57.1% increase versus 35.9% for the United States. Bank deposits of the four states have grown \$3,136,456,000, 1956-61 — an increase of 35.3% compared to 26% for the nation.*



Bank loans in the four-state area increased \$1,835,712,000 during the period 1956-61 — a 51.7% increase compared to 40% for the U.S.* The many millions spent in recent years for new main office buildings, branches and other banking facilities reflect this growth, and further expansion is planned. More than one hundred applications for new banks and branches in the four states were on file as of December 31, 1962.**

Another index of the area's growth is the consumption of electric power. Since 1952 operating companies of The Southern

Company system—Alabama, Georgia, Gulf, and Mississippi Power Companies and Southern Electric Generating Company—have spent \$1,325,000,000 for generating plants and transmission and distribution facilities. An additional half-billion-dollar expansion program is planned for the period 1963-65.

A strong system of banks, working constantly to improve service to their customers, spells *opportunity* not only for existing business and industry in the area but for all who look South.

Significant and continuing growth in this four-state area is shown by rate of gain in these pertinent comparisons:

	4-State Area	United States
Per Capita Long Term Savings	50.4%	33.9%
Total Personal Income	33.9%	25.3%
Shareowners of Public Corporations	207.4%	97.1%

Sources: Research Dept. 6th Dist. Federal Reserve Bank, U. S. Dept. of Commerce and 1956 and 1962 Census of Shareholders, N. Y. Stock Exchange

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Budget authorities speak out on spending

Five experts tell what's right and wrong with budget

NOBODY KNOWS for sure how much the government should spend.

The precision of the federal budget is deceptive. The figures are based on necessarily imprecise social, political and economic judgments. There's as much opinion as fact in budgeting.

President Kennedy is asking check-writing authority of \$108 billion for future spending and wants to spend \$98.8 billion in the year starting July 1. To his supporters this is tight budgeting.

To critics of this spending rate, there's nothing tight about a one-third increase in spending authority in only two years.

So a new battle of the budget is raging. To get more perspective on the fight, NATION'S BUSINESS

went to some of the most experienced authorities on government spending in the country today: former directors of the U. S. Budget Bureau of the recent past, both Democratic and Republican. These fiscal experts differ widely in their philosophies. But from their views, these conclusions can be drawn:

1. Today's estimates of spending needs can quickly become outdated and faulty.
2. The federal budget is becoming more and more inflexible.
3. Spending and taxing should carefully complement each other to avoid harming the economy.
4. We should budget years ahead for more business-like spending forecasts.

Democrat Bell: We must budget farther ahead

DAVID E. BELL, economist, administrative assistant to President Truman and director of Harvard University's Graduate School of Public Administration, was director of the Budget Bureau through 1961 and 1962. He is now administrator of the Agency for International Development.

In recent times, congressional budget-cutting usually has amounted to a meager one or two per cent, says Mr. Bell. And "unless they are prepared to cut deeply either defense or space, it would be very hard indeed to make substantial reductions."

Last year Congress cut the budget by about four per cent.

The fiscal 1964 budget is "really a tight set of expenditure proposals," claims Mr. Bell, who had much to do with its preparation before moving to his present post.

The Budget Bureau has begun to make fiscal estimates over a longer future period in recent years. This Mr. Bell describes as "a very helpful process." In addition, he says, "I think we should look forward to the evolution of a period in which more and more it is customary for the congressional committees concerned to look several years ahead and for this to become more and more the accepted practice."

Private companies as a rule have long-range budgets as well as annual budgets, he notes. "I think the United States is way behind private business in building into its management system projections in forward planning of this type. But I think we have made some progress in the last year or two."



WIDE WORLD

In the high-cost area of foreign aid, which his agency administers, Mr. Bell concedes it is difficult to make a firm determination as to the direction of spending.

"All in all, I see some elements which point toward reduced requirements, or that are coming to the

end of the need for economic assistance, and military assistance. . . . I see some on-going requirements of considerable need in Korea, Pakistan, India. I see some short-run increases which may not last very long in some of the Latin American countries. But various

countries may be over the hump in fairly short order."

Congress will probably examine the program even more closely than usual since a presidential advisory committee headed by General Lucius Clay recommended reforms.

Republican Stans: It won't balance in 10 years

"I see no chance of a balanced budget for the next 10 years under the present budget policy," Mr. Stans declares.

Here's what concerns him: The fiscal 1964 budget forecasts a deficit of nearly \$12 billion. The spending authority asked of Congress is \$10 billion higher than this year. Tax cuts requested beyond fiscal 1964 would total \$7 billion a year. This means "you're starting off with a fiscal gap of nearly \$30 billion that has to be bridged. When you also consider the automatic growth in many expenditures programs it would take the utmost restraint for revenues to catch up to spending in 10 years."

He points out that, in the two years since the fiscal '62 Eisenhower budget was proposed, "requests for authority to spend are up \$27 billion, or 34 per cent. It is hard to believe that government's spending requirements have gone up by one third in only two years."

Mr. Stans is against a planned deficit in the budget. "It's hard

enough to balance a budget when you try." The budget ran up one of the largest deficits in recent history when Mr. Stans was director. It mounted to over \$12 billion in fiscal '59. Revenue fell \$6 billion below the forecast, Congress upped the spending requests by \$3 billion, and other costs, particularly agricultural price support payments, rose above predictions.

If a similar set of conditions should develop in fiscal 1964, the budget will be in the red by \$25 to \$30 billion, Mr. Stans warns. "At least the deficit in fiscal 1959 was followed by a surplus the next year," he notes. "There's no chance of fiscal '64 being followed by a surplus."

Mr. Stans is also concerned about what he calls the "crash program" for space exploration. He revealed that President Eisenhower in 1959 considered and rejected a crash program to put a man on the moon.

The present estimate for space programs, which is nearly 10 times that of 1959, "shows how inexact

MAURICE H. STANS, accountant and banker, was President Eisenhower's last Budget Bureau director. He served from 1957 to 1961, first as deputy director, then as director.



FRED MAROON

cost measurements are. To fix a date (for landing a man on the moon) and freeze it could mean incredibly more cost."

Mr. Stans also questions claims that the defense budget cannot be cut. "When spending is in the range of \$50 billion, as much as \$5 billion might be found to have lower priority," he says.

Republican Brundage: We can cut defense, agriculture

Federal spending can be cut by several billions, much of it from defense, Mr. Brundage believes.

He told NATION'S BUSINESS the budget could be balanced before the fiscal 1967 target date of the Kennedy Administration if constructive action were taken in defense and agriculture and if spending for outer space were held down.

Mr. Brundage says the nation has not realistically faced up to the

PERCIVAL F. BRUNDAGE, an accountant and a director of the National Bureau of Economic Research, was deputy director of the Budget Bureau from 1954 to 1956 and director from 1956 to 1958.

expensive problem of farm subsidies and surpluses.

"It's surprising to me that city dwellers have tolerated this as long as they have," he comments. "I



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BUDGET

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think it is pretty clear that the only solution is to remove subsidies altogether and encourage other uses of farm lands." It would be much cheaper to supplement farmers' income with crop insurance, unemployment insurance and direct aid in cases of serious injury after eliminating price support subsidies.

Mr. Brundage thinks the Administration is "stepping up domestic programs far beyond the necessity or desirability in view of our international responsibilities.

"I'm afraid the deficits will be higher than they are predicting," he adds. "Plenty of the programs are good and desirable. I'd like a new car and yacht and trip to Europe every year, too. But I can't

afford this kind of spending, and neither can the government.

"I think if we cut spending it would encourage confidence. We should cut spending; then by all means cut taxes. But not in such a way that it narrows the tax base. The President said he was going to broaden the base. But his proposals are in the wrong direction because so many people would be relieved from paying any taxes."

Mr. Brundage feels that we can have a strong united defense force and stronger economic arrangements with the 20 countries of the Organization for Economic Cooperation and Development.

The combined military costs of OECD countries could be cut by improvements in operation, and the U.S. could cut back in defense requirements by perhaps as much as \$10 billion, he says.

Democrat Lawton: Any budget can be cut, but—

The federal budget showed distinct signs of inflexibility and difficulty to control over a decade ago.

The recollections and views of Mr. Lawton today lead to that conclusion. When he headed the Budget Bureau during President Truman's Administration and Korean war years, Mr. Lawton recalls: "We didn't believe the budget would be quite this large by now. But we were optimistic that there would not be as heavy military demands. Though we recognized even then that as you get into more sophisticated weapons the costs go up."

Mr. Lawton says, "Any budget can be cut if you differ in philosophy on some programs or projects. But there are so many programs that politically or practically are difficult to cut," he adds. "There's a big segment you can do little about cutting unless you start changing the laws."

He thinks the budget will rise inevitably, whether at the same pace as over the past decade (up about 25 per cent in defense spending and about 100 per cent in nondefense) "is an open question." He told NATION'S BUSINESS a breakthrough in space technology or changing international requirements could always affect spending.

Mr. Lawton is opposed to what



FREDERICK J. LAWTON served as assistant director in 1949, then director of the Budget Bureau from 1950 to 1953. Since then he has been a member of the U. S. Civil Service Commission.

is known as backdoor spending—that is, authorization to borrow and spend money without going through the usual congressional appropriations committee and budget process. "It makes for looser control."

Authorizations which commit the government to spend in the future are a real problem, in Mr. Lawton's view. There's less flexibility and less opportunity to change such a program than with direct appropria-

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"The trim and hardware on the '63 Fords is outstanding, everything fits beautifully, the best-built Fords I've ever seen. They'll be instant sellers as used cars which means better resale value." **ART TARALDSEN**, Clem Atwater Cars, Canoga Park, Calif.



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"Ford's put a lot of quality into their 1963 cars and I predict they'll bring record trade-in values because of it. Dealers will pay more for them because their customers will too." **DON BLACK**, Don Black Used Cars, Los Angeles, Calif.



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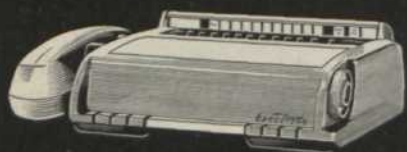


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BUDGET

continued

tions each year. It's not conducive to good budgeting.

Mr. Lawton believes that, "if a budget program complements a tax program, there's no reason to be alarmed at spending at the same

rate or a little more spending. Whenever you add new programs you have to be pretty selective and take a pretty hard look at what the results will be. I think it's a delicate balance. I wouldn't undertake a pump-priming program at the same time as tax reduction, for example. This would definitely be a conflict."

Democrat Webb: Budget-cutting talk lacks reality

Mr. Webb claims that much of the discussion about reducing spending lacks reality. "I think if the effort were put on going to work in congressional committees on each of the bills to determine the merit of the proposals made by the President, this would be a more realistic approach."

He defends the accelerated pace of space spending as a rate at which "you can get most for your money."

Although the space agency proposes to obligate \$5.7 billion compared with \$1.1 billion two years ago, Mr. Webb says it is not a "crash program," but "a fast-paced program to overtake the Russians. . . . You can get more for your money by doing it at this pace than if you either spread it out or shorten it."

NASA now has, in addition to a family of boosters in the launching vehicle program, a family of unmanned scientific satellites, vehicles for deep space probes and a family of manned space craft. "All of this can be carried on to completion at a level of, say \$6 billion a year, which, if no new items are added, will begin to decline in about three years," Mr. Webb says. But he points out, "The real question now is: Are you going to put something in to follow those things?"

When Mr. Webb took over as director of the Budget Bureau an \$8 billion surplus developed. There were several reasons. Expenditures for World War II offices and activities were abandoned. Also under President Truman's instruction, Mr. Webb developed budget controls which brought many organizations into the President's budget. Before that, Mr. Webb recalls, government departments had submitted their own budgets to Congress. The first year the Reconstruction Finance



JAMES E. WEBB, lawyer and industrialist, was director of the Budget Bureau from 1946 to 1949, under secretary of state until 1952 and now is administrator of the National Aeronautics and Space Administration.

Corporation was brought under the budget procedure, for example, the now-defunct lending agency's budget was reduced by \$1 billion before it was sent to Congress.

Mr. Webb told NATION'S BUSINESS he does not want to get into the controversy over budget balancing. But he says, "I do think it is very important to have the policy decisions of the government based on accurate facts, and I do think that the budget is a device to bring the facts up for careful study and debate by Congress, reporting by newspapers, understanding by all segments of the community. And I believe that the government must operate its finances in a prudent manner and be prepared to solve its national problems and conduct its national activities within a policy that keeps the finances of the government strong." **END**

DID YOU KNOW:

It costs much less to ship by Greyhound Package Express?

Fast, frequent shipping service to more places at less cost has long been the shipper's dream. Faced with drastic cutbacks in rail routes and operations, the need to find a more efficient, more economical way to ship became vital. Today, Greyhound Package Express is helping in a major way to meet that need. More and more shippers are recognizing Greyhound Package Express and using it. Experience has shown that Greyhound is FAST, DEPENDABLE, and unequalled for COVERAGE, FREQUENCY and ECONOMY. Result: Greyhound Package Express is growing fast.

As a businessman, this sound, rapid growth pattern could be important to you as a means of answering shipping and inventory control problems.

EXAMPLES OF FREQUENCY, SPEED AND LOW COST OF GREYHOUND PACKAGE EXPRESS.

Destinations	Buses Daily	Running Time	20 lbs.	30 lbs.	40 * lbs.
New York—Boston	20	5 hrs. 15 min.	\$1.80	\$2.10	\$2.35
San Francisco—Sacramento	32	1 hr. 45 min.	1.15	1.35	1.50
Chicago—Detroit	9	5 hrs. 50 min.	1.90	2.15	2.45
Atlanta—Birmingham	10	3 hrs. 45 min.	1.65	1.90	2.20
Pittsburgh—Cleveland	15	2 hrs. 55 min.	1.60	1.85	2.15
Dallas—San Antonio	10	7 hrs. 15 min.	1.90	2.15	2.45
St. Louis—Kansas City	9	6 hrs. 30 min.	1.90	2.15	2.45
Los Angeles—Bakersfield	27	2 hrs. 50 min.	1.25	1.45	1.70
New Orleans—Mobile	14	3 hrs. 50 min.	1.65	1.90	2.20

*Other low rates up to 100 lbs.

Did you know: Greyhound buses have facilities to transport more than a million cubic feet of cargo over more than 100,000 miles of routes, daily?

Did you know: Greyhound buses travel over a million miles a day, over more than 100,000 miles of highways, providing package-shipping and receiving service to thousands of communities not served by any other form of public transportation?

Did you know: Greyhound Package Express service is available 24 hours a day...seven days a week, including Sundays and holidays?

Did you know: Greyhound Package Express

is very often faster than any other shipping service...including air? Packages going hundreds of miles very often arrive the same day shipped. This startling service is made possible by Greyhound's frequent schedules...and downtown-to-downtown operation.

Greyhound Package Express could be the answer to shipping and inventory control problems of one or more of the companies with which you are associated. Clip these facts and send them along to the man in charge of shipping. It can make a money-saving, time-saving difference.

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AND COSTS YOU LESS**



ONE OF A SERIES OF MESSAGES DEPICTING ANOTHER GROWING SERVICE OF THE GREYHOUND CORPORATION, 140 SOUTH DEARBORN ST., CHICAGO 3, ILLINOIS.

THE FIRST...



World's first microfilmer, a Recordak, was installed in a New York bank in 1928, introducing a new era in record keeping.

The Recordak story from 1928 to 1963 is one of specialization in the recording of data on microfilm, and in the application of microfilm systems to everyday routines. Backing up Recordak's slogan, "*First and foremost in microfilming*," are such notable "Firsts" as these:

First in banking. The first Recordak microfilmer was installed with only one job in mind—to photograph checks for protection. Within a year Recordak pioneered systems applications for faster check handling in transit and bookkeeping departments—substituted the speed and accuracy of photography for tedious manual transcription and dual-entry posting. Result: Banks have saved millions of dollars annually with these Recordak systems.

Interesting comparison: First Recordak model took up to 75 pictures per minute . . . recorded up to 7500 images on a 100-ft. roll of 16mm film. Latest Recordak microfilmer takes up to 1,000 pictures per minute, records up to 29,000 images on a 100-ft. roll of 16mm film.

First in retailing. In 1931 retail stores hailed a revolutionary Recor-

dak Billing System. By microfilming original sales checks, instead of typing descriptions of each purchase on statements, billing time was cut as much as 80% . . . net billing costs up to 40%. Customers welcomed simpler bills with the original sales checks for total recall. Adjustment traffic dropped to a trickle. With today's credit demand, the Recordak Billing System has been widely adopted by huge credit-card operations, the large store chains and utilities, and the small retailers.

First in publishing. Microfilm editions of newspapers were first "published" in 1934 with the introduction of a specially designed Recordak microfilmer. Newspaper files were compacted on 35mm film, 800 pages to a 100-foot reel weighing only 8 ounces. Long-lasting film replaced short-lived newsprint. Film prints, run off from

the master negatives, were a boon to libraries, historical societies and other subscribers.

First in libraries. In 1937 bound volumes, rare manuscripts, and out-of-print books were brought into "focus" of the new Recordak Micro-File Machine, a flat-bed unit. All of these could now be copied and reproduced at low cost. Ponderous bound files of newspapers were transformed in bulk and weight from cubic yards and pounds to cubic inches and ounces in microfilm form. Today's Recordak Film Readers blow back the tiny images to larger-than-life size for easy reading. And the microfilm "library" is preserved against time and the clipping thief.

First in government. The Social Security Administration maintains the accounts of nearly 160 million people on microfilm. This operation, which began in 1937, was followed by applications in hundreds of other government agencies—Federal, State, County and local because Recordak microfilming keeps inflow from be-

THE LATEST...



1963

World's latest automated microfilm retrieval system. Push-button microfilm search! Push-button print-making when desired!

coming record tonnage, keeps records quickly accessible, keeps costs from skyrocketing.

First in defense. The Armed Forces took Recordak microfilming to war on many fronts. Best known was the V-Mail System, a Recordak concept. More than 1½ billion V-Mail letters were delivered overseas. Vital cargo space was released for war material because microfilmed V-Mail required 98% less space than letter mail. Ships' plans and aircraft drawings were microfilmed and airlifted to repair bases and repair ships . . . maps and intelligence data flown to distant commands faster and safer, via Recordak microfilm.

First in engineering. Today's defense effort must be even faster moving. The Recordak Precision Engineering System is helping to speed it along. Defense Agencies and prime contractors maintain and transmit engineering drawing files on microfilm. Each drawing, reduced to a 35mm film image, is mounted in the window aperture of a punched card. Microfilming of original drawings is

precision controlled to Defense Department Specifications. The film is control-processed by special techniques that further assure uniform image quality. Film prints are quicker, easier, less expensive to produce for distribution files or reference copies. Pioneered by Recordak during 3 years of research and development with the U.S. Signal Corps, the Recordak Precision System has, since 1957, become the new standard of efficient engineering records administration in Industry, Government, Engineering firms.

First in security. The records of the Middle Ages are found underground. So are the records of the Nuclear Age. Because microfilming is the fastest, lowest-cost way to copy vital records for vault-storage in minimum space, records security has meant Recordak microfilming since 1939. Microfilming of vital records for off-premises storage is today a basic specification of security programs.

First in automation. Computers print out recorded data at fantastic

speeds . . . on miles of continuous hard-to-handle paper. Recordak microfilming condenses this data, brings electronic speeds to reference and retrieval. The fastest Recordak Microfilmer, the Rotomatic, reduces a mile of computer printout to only 220 feet of 16mm film in 29 minutes. Retrieval of desired data takes only a few seconds with automated Recordak Lodestar Reader-Printers.

First in services. Recordak maintains Branch Offices and Laboratories in 38 U.S. cities. Maintenance services are provided at more than 185 business centers.

In the years ahead Recordak's experience in research, in dependable products, in systems know-how, will bring even more advanced concepts of microfilming to the world's record keeping.

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YOU CAN IMPROVE YOUR BUSINESS TIMING

Five steps will help you maximize your efforts

LIKE AN AUTO ENGINE that burns its fuel before the pistons are in position to move, the businessman who works without conscious attention to timing gets little motion from the energy he puts out.

The common belief that steady effort always produces the most results is deceptive. What always produces the most results is well timed effort. In a few jobs this may be synonymous with steady output that seldom varies in intensity. In far more jobs, the most efficient timing is a sudden burst of energy at a given moment.

This is well known in the sports world, yet frequently overlooked in business—even by men who are sports-minded. A football player, boxer or tennis player is often taught to explode into action for the few seconds that count. In golf, "clubhead speed" is what principally determines the length of a drive. The size of the golfer or the weight of his club are not nearly so important as the knack of making the driver travel at high speed during the split second of impact.

Can an executive do anything to improve his sense of business timing, or must he be content with whatever native ability he has?

Regis E. Moxley, vice president of New York's Morgan Guaranty Trust Company, believes that timing can be improved, but he cautions that it's not a skill you can develop all at once.

"To be useful, a sense of timing has to be reflexive," he says. "It has to be available for quick decisions, as well as for the ones that can be made after long reflection.

"That means the sense of timing has to be part of you. But it doesn't mean that you're either born with it or you're not. It can be developed by practice and experience.

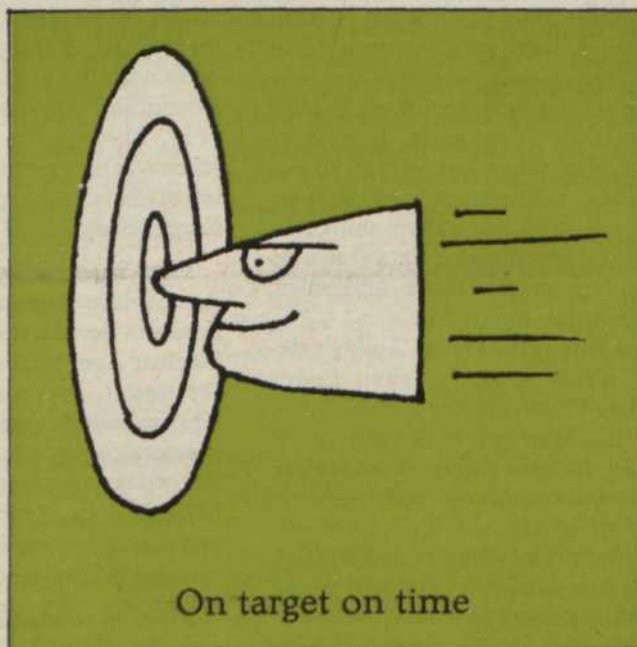
"If you develop a pattern of timing your actions—on a conscious basis, at first—it will gradually become second nature. At that point, it may seem that you're following hunches, but actually it's a case of conscious

and studied reactions becoming unconscious and almost instantaneous."

A similar emphasis on practical experience is expressed by Pan American Airways President Juan T. Trippe. Mr. Trippe's sense of timing is much discussed in his own industry. It was once expected that he would eventually devote his entire time to drawing up new plans and suggesting the right time to implement them, while somebody else took over the operating problems of the global transport system.

Mr. Trippe's reasoning against such an idea underscores his belief that timing begins with thorough understanding of details, as well as of broad outlines:

"An idea and the carrying out of an idea are all part of the same chain of events. You can't detach vision from action. You can't detach timing from



the hard facts of running the business. Only by having the feel of the controls in your hands can you know how to time a change of course properly."

Five steps help

Managers from a wide variety of industries were asked to suggest an approach that other executives could use consciously, so that the nebulous subject of timing could be made into another management aid. The consensus was that arranging your efforts so that maximum energy is applied at just the right instant involves five separate actions, in this order:

1. Gauging—looking ahead at the coming weeks or months and determining what pattern of events is likely to occur.
2. Planning—deciding what approach to each problem or opportunity you will use.
3. Waiting—withholding effort that might be wasted or even harmful during certain preliminary periods.
4. Climaxing—throwing the weight of the effort into the job at the selected moment.
5. Follow-through—making sure the impetus is not lost or turned aside until success is sure.

One of the surprises is that planning, to which so much lip service is usually paid in business, emerges as a second step, rather than the first. It may seem a subtle difference to say that an estimate of the future must come before a plan is attempted, but it is not hair-splitting.

Several thoughtful executives believe that some of the worst mistakes they see are made by careful planners who design their plan too soon. They develop a pattern of action first, then begin to view the future as they would like it to be, not as it is likely to be.

Once their plan is begun, objective analysis becomes more difficult. Soon the plan has frozen, and every sign that events are really changing will be ignored or misinterpreted.

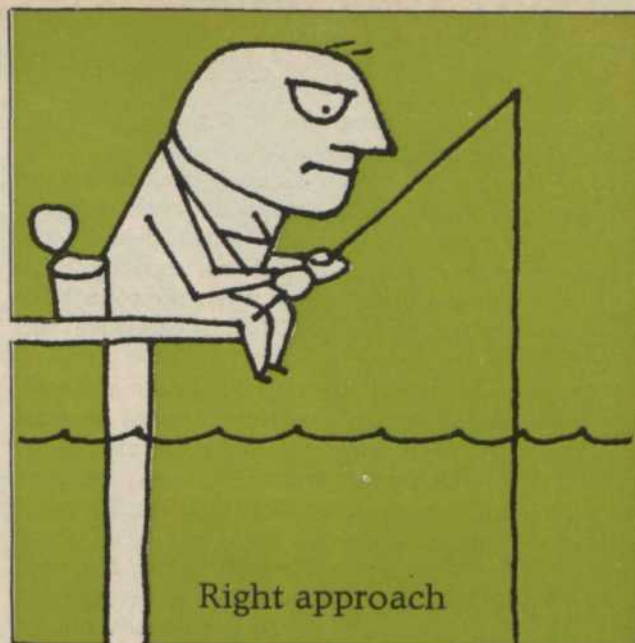
When to act

It is important, at this point, to make a distinction between what might be called economic timing and psychological timing. It is one thing to time moves that depend on outside business conditions; it is another to act at the right moment to overcome personal barriers raised by colleagues or subordinates. The five steps above can be varied and adapted to both types of timing problems.

What is meant by economic timing? It means, for one thing, that the timing of important decisions frequently depends on what stage of development a company is in. A move that turns out to be a master stroke at one time might have been an expensive mistake if it had been made earlier, or later.

One of the nation's leading makers of precision metal castings bought all of its alloys from outside suppliers for the first 20 years of its existence. Only when its alloy purchases amounted to \$2 million yearly did it make the major move of building its own alloy-making facilities.

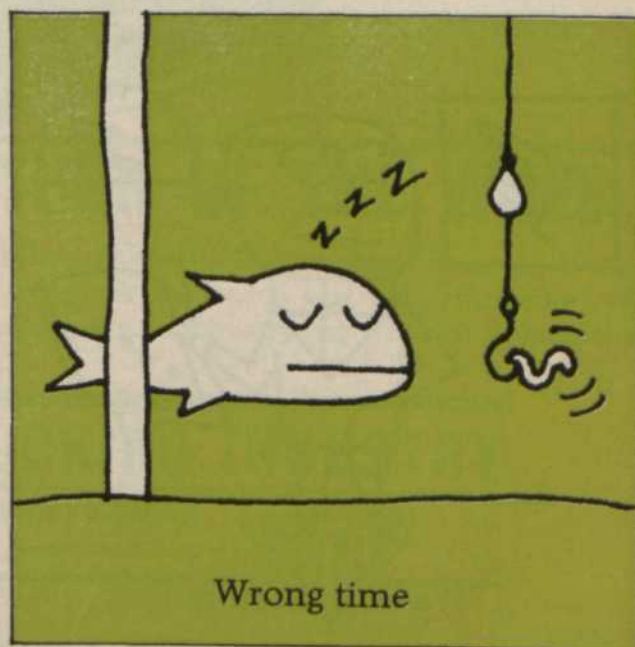
"At that point, we had a captive customer for alloys—namely ourselves—that made the operation relatively sure-fire," explains the firm's executive



vice president. "If we had started producing our own alloy earlier, we would have had to rely on selling some of it outside in order to keep the new crew busy, and that involved big risks in a line of business we didn't know much about. On the other hand, if we had hesitated any longer after our own alloy needs reached that point, we would have sacrificed a lot of profits on the metal-making end that now accrue to us rather than to a supplier."

Often timing has to be tied to business cycles. What is right in the early stages of an upswing may be wrong at any other time.

"Too many businessmen are stampeded into putting all their capital to work without delay," says the head of a drug wholesale firm operating in the Mid-Atlantic area. "We've found that it often pays to let our inventories fall to the minimum level and hold



IMPROVE YOUR TIMING

continued

off on any expansion programs until we see a definite upsurge in demand forming. What little we've suffered by having our money sit in a bank at low interest or by paying more for goods when we start stocking up again has been far outweighed by the avoidance of overstocking and excess capacity."

"Yes, but how do you know when there's a business upswing in the making?" this executive was asked.

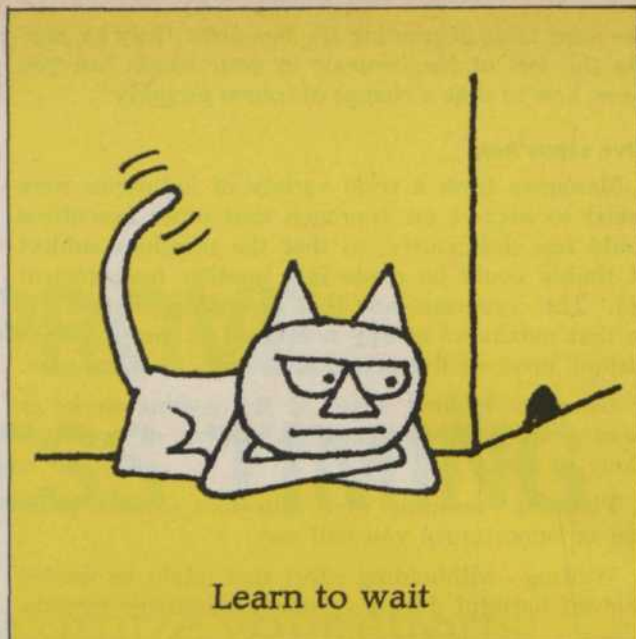
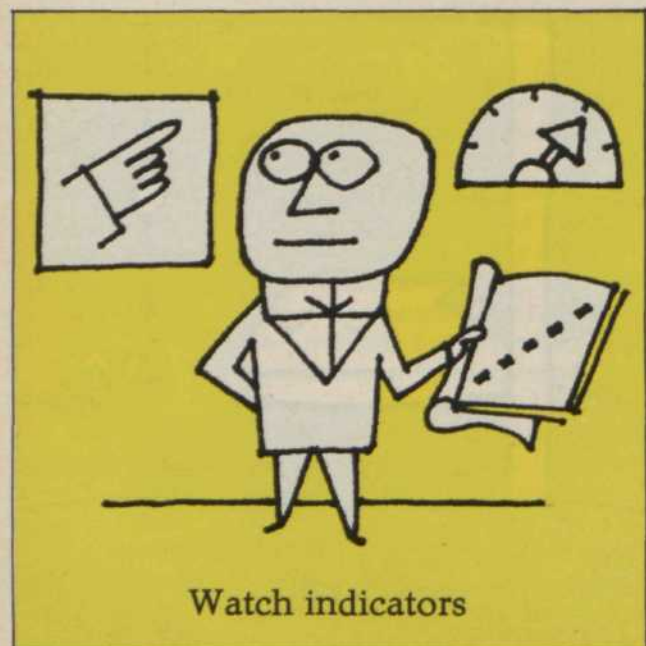
"There are so many aids available to the businessman these days that he can time it right at least four times out of five if he'll make the effort," he responded. "Newspaper financial pages, business magazines, and government publications usually point in the right general direction. They may be off about the precise month when a turn will come, but once all the indicators start saying that the economy is on the move, it generally is. At such times, almost any sensible expansion program can make you look good. At other times, all the planning in the world may not be enough to avoid losses."

How to use psychology

Examples of psychological timing in actual practice are easy to come by. Some are so obvious they merit only passing mention:

A sales manager who plans a big promotional drive should wait until very near the starting time before trying to get his staff up to fever pitch. A president facing a decision to kill one product line entirely should delay any outward moves until the last possible moment, in order to avoid a let-down in morale that would be hard to heal in case the line were continued.

On the other hand, a boss who plans to promote a junior man over the heads of several older executives should make the new appointment as quickly as pos-



sible, for a delay only increases the chance that the others will build up false hopes and be all the more disheartened later.

But in order to give the five-step approach an acid test let's look at an intentionally difficult example. How, we may wonder, can psychological timing make any difference in the effectiveness of a financial executive?

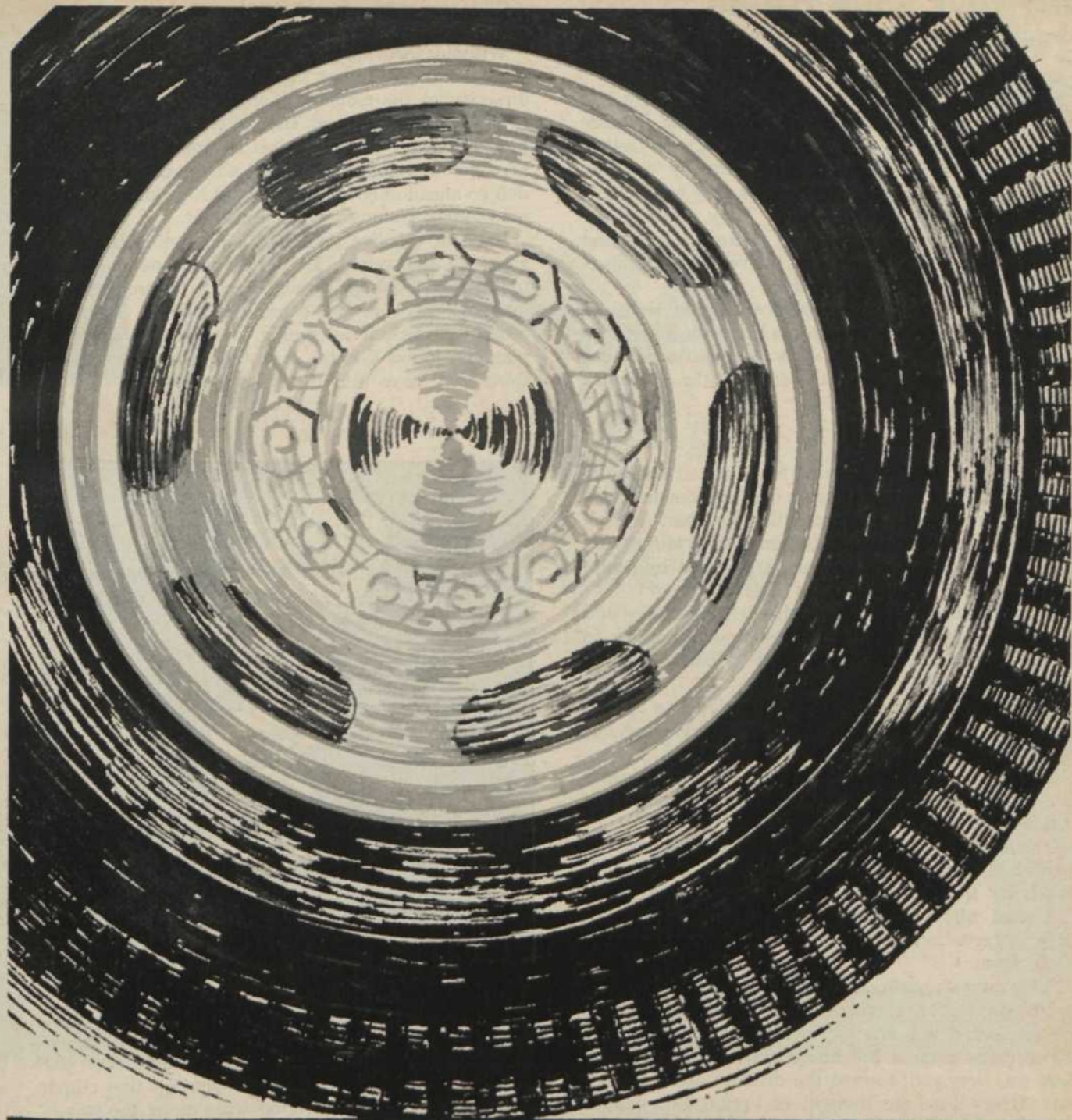
The controller of a paint manufacturing company recently saved his firm a quarter of a million dollars on the price of a small company which the paint makers hoped to take over.

There were to be successive conferences with heads of the company being bid for. The executive vice president who was in charge of negotiations asked his controller to sit in on each meeting and try repeatedly to plant the idea that the other firm's net assets were worth far less than the \$1.1 million being demanded.

But the financial man pointed out that this would give the sellers most of the advantage in the discussion of price. They knew all the details of their company, while he was just trying to learn about it. They could make points that he had no way to refute. So he asked his vice president to leave him out of the meetings for a time.

At the first session, a memo from the controller was read, suggesting that \$700,000 appeared to be the reasonable value of net assets. This brought protestations of dismay from the sellers and a promise to reconsider from the buyers. Then, at each later session, the vice president mentioned that his controller was restudying the assets and would shortly present his conclusions. Finally, when it was apparent that the sellers were eager to see a decision made, the controller appeared at a meeting—without his vice president. He announced that his study showed the reasonable value to be as concluded before, but that his company was willing to add \$150,000 to its original offer for the sake of closing the deal.

To the sellers, the \$850,000 now offered seemed



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IMPROVE YOUR TIMING

continued

attractive in view of the long period that they had grown accustomed to the lower figure. And because the vice president was not on hand, the sellers couldn't be sure that the other company was not really making its final offer. Perhaps they would have no further chance to bargain. They initialed an agreement that day. Then the controller, who had made himself so scarce before, moved in and supervised every detail of the merger.

Note how the five elements of timing were all present here, with the key points being the gauging—the assessment of how the early negotiating sessions were apt to shape up, and the delay of the offer until the moment of climax.

Waiting can be wise

The importance of knowing how to wait and combating impatience emerges as a common denominator that ties most of these examples together. We all know the evils of procrastination. But it is most revealing to see how many plans are ruined by jumping to act merely for the sake of acting.

One executive comments. "More effort, money and opportunity is lost by feeling that 'something has to be done' than by any other error in business judgment."

Learning to handle the waiting period is a special exercise in self-discipline. It is a time for relaxing, but not for loafing.

It is a time for watching, studying, perhaps revising the timetable, preparing the facts and papers that will be needed.

Occasionally good timing means waiting an unpredictably long time—just having the patience to watch for the right moment, however long it takes.

A man who now heads the biggest division in a large corporation with plants scattered across the U. S. says:

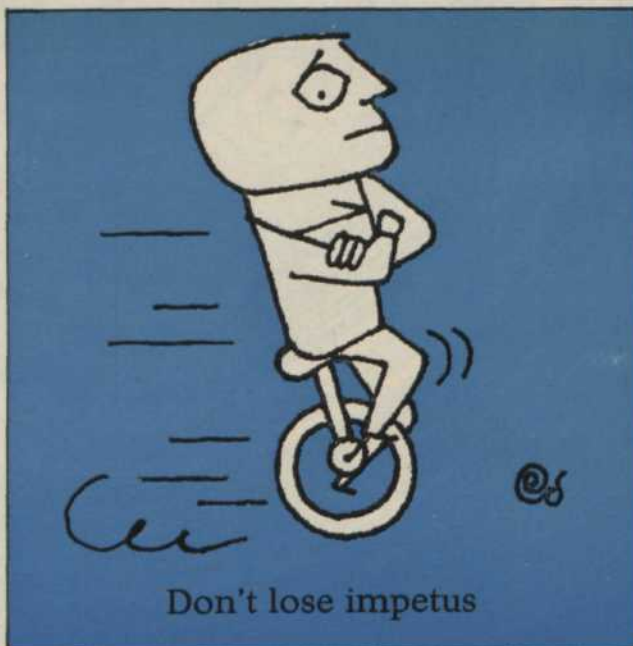
"Our aircraft parts operation was small and hardly breaking even for several years. Some of us knew that all we needed was one big round of spending to get tooled up to make a full line of parts. But our president was very cool toward the division and its products. Every time we thought of upping our capital spending, he talked about scrapping the division entirely. It was hard to keep from going all-out to convince him of what we thought should be done. But we knew that wouldn't really do any good. This man had come up through the auto industry, and his mind was closed on the subject of aircraft parts.

"So we just held ourselves in check and kept our operation alive, waiting for a change of presidents or a shift on the board of directors that might give us a friendly spokesman up top. Our break finally came about in an unforeseen way: The whole company was merged into a bigger corporation. The top man spent some time getting to know each division head, and he invited me to lunch one day. When he asked me whether I thought our division's profit could be stepped up, I told him what we had in mind. Before lunch was over he had given a tentative O.K., and

within six weeks we were placing orders for new equipment."

Without laboring the sports analogy used earlier, it might be said that maximum speed and correct direction at the moment of impact are possible only if the preparation and the follow-through are well thought out. For in the last example, the division manager was able to take full advantage of the sudden go-ahead only because he and his aides had been preparing all along for that moment.

Each of the five points of good timing has to be given its due weight. To neglect any one of them is to leave a loophole through which failure can seep into an otherwise well coordinated effort. For many good managers, it is coming to be second nature to plan and follow through. And they usually put everything they have into the climactic moment—if they



recognize it in time. But gauging and waiting are equally important as the means of being sure that most of the available energy is spent on that climax and not wasted on lesser moments along the way.

Modern managers have had a great deal of instruction on how to make each of the moves an executive must go through. Much of it has been good; U. S. managers are the world's best, and they are still improving. But one essential element in the improvement should be more emphasis on when to act.

The manager who starts by seeing each new challenge as a series of incidents and who times his moves to exert the most force at the crucial moments has the best chance of seeing his work produce big results.

—CHARLES A. CERAMI

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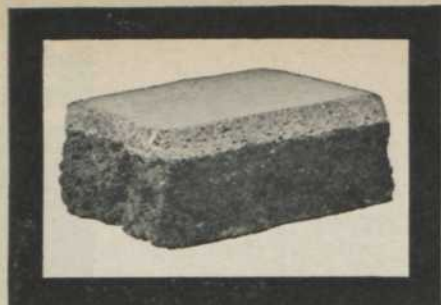
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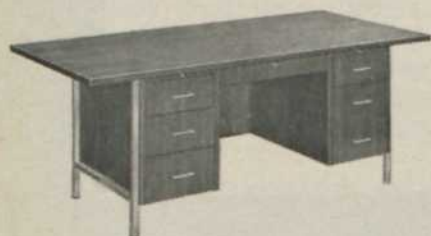
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FASTER GROWTH

continued from page 33

expedite many phases of management.

You mean there'll be no place for seat-of-the-pants management?

Even though we recognize the value of these new devices, and the statistical-mathematical techniques that accompany them, let's not be carried away. Common sense and plain arithmetic still have their place. The creative executive is our greatest shortage—he will never be obsolete.

You mentioned foreign trade as a hope. Why are trade increases important?

The U. S. must increase its trade abroad to prevent economic stagnation and rising unemployment. With domestic competition intensifying, foreign sales will be the logical answer for many companies.

Many executives attending the Stanford Research Institute's long-range planning round table say firms in this country have only scratched the surface in trying to sell abroad.

Do you foresee big changes coming?

A profound change may occur

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What is the potential for increasing our exports?

U. S. exports could double in the next 15 years.

The world's need for manufactured goods is increasing. Our immense resources and our advanced research and technology will provide us with powerful trade leverage. Moreover, industrialization abroad will increase the demand for our raw materials, semifabricated products, and capital goods.

What about competition between European and U. S. producers?

Some of the trade advantages that Europeans have held over the U. S. will fade by 1975. Europe's nations will develop many problems similar to ours. For example, rising European labor rates will tend in time to narrow the cost gap between U. S. and European producers.

How much opportunity do the underdeveloped countries offer?

With so many countries in Latin America and Africa attempting to move into a Twentieth Century economy, unparalleled opportunities could develop in some areas. Many nations, however, have so far to go that they will not offer substantial markets for many years.

You expect selling to be tough in these countries?

The going will be far tougher than in Europe, but the returns are potentially greater. The biggest rewards will go to businessmen willing to take early action even at considerable risk. Once the industrial age really has taken root, the possibility of reaping substantial profits will be less.

Indications are that some underdeveloped countries will be ready to start substantial industrial expansion by 1975.

Will American manufacturers be able to hold their own against imports?

This will become a crucial question in a number of industries. As certain tariffs are cut, some companies will find themselves under increasing pressure from competitively priced imports.

This is likely to be the worst in products where comparative advantages of U. S. goods are now marginal—for example, in the tool, office machinery, and some consumer goods industries.

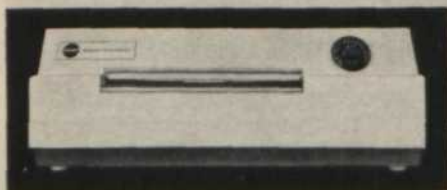
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survive and grow will be those offering a steady flow of new or improved products.

What other important influences will shape business in the next decade or so?

There must be dozens of good answers, especially from the viewpoint of individual businessmen. One problem that is arousing widespread concern is government regulation. It is common in all business.

If business is to prosper and grow, a solution must be found to regulatory and restrictive activities that work against a healthy, dynamic and efficient free economy. Frequently these constraints frustrate not only legitimate business aims but also the desire of government itself to stimulate economic growth.

It seems to me the pendulum of government regulation has swung too far, and that our national interests are being poorly served by the present balance.

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There is no more important problem to be faced by business—and I would hope that a better informed public would permit and encourage Congress to reconsider this problem from a standpoint of national economic growth and welfare.

Will these issues become more important in the coming 10 or 15 years?

There are new forces at work that seem to be bringing a show-down closer.

Consider the matter of determining what really constitutes effective competition under our laws. There is a crying need for better definition of the kind of competition that really serves the national interest.

There is a widely held opinion that big business automatically means a lessening of competition. Who can say that there will not be more effective competition, lower prices, and more jobs in a given industry dominated by three or four companies rather than by 15 or 20?

A simple nose count of the number of firms in an industry is not a useful measure of competition.

In California, for example, we have chain banking systems that are not typical. A few banks dominate. One has more than 750 branches and four have 100 or more. The competition between these giants is fierce, and it seems to me the average user of bank services surely benefits from it.

Do you expect the number of small businesses to decline?

In certain lines bigness has inherent advantages that serve the average citizen well. For example, large firms often can obtain more capital at lower interest rates, and hence can afford the investment needed for optimum efficiency.

I do not advocate or expect the demise of small business. There are many fields where the small firm has inherent natural advantages and always will. In certain situations such firms can move with a speed and flexibility that puts big firms to shame. Small business is hardy, and will remain perhaps the best avenue to great individual wealth, open to all.

I do not doubt that we need regulation to prevent unreasonable concentration of economic power and to control truly vicious competitive practices. But the rules should be as simple, as clear, and as restrained as possible.

A firm contemplating an acquisition or merger should be able to know in advance whether it is in jeopardy of antitrust prosecution.

As matters stand today, our government reserves the right to initiate such legal action at any time.

If we really want to encourage investment and growth in our economy, this guessing game has got to stop. Who knows how many companies in this country would be making investments to improve their efficiency and competitive strength if they were not operating in an atmosphere of fear?

Do taxes and tariffs exercise the same influence?

Yes, but in a different way. Here again the problem is uncertainty. Continued uncertainty will shake confidence and cause business to defer or cancel plans to build new plants, for example.

Are there other public issues that will be of great importance to business in the years ahead?

There are many. Fifty or 75 years ago it was fashionable to teach economics as political economy, and I sometimes wonder why the practice was dropped. The business environment is so much a product of the combined effects of foreign affairs—as well as national, state and local government actions—that political impacts are generally the most important single factor in business environment.

Without a political environment which makes people willing to risk their capital, nothing much can happen in the way of economic progress.

What other long-range problems do you foresee?

There is one problem we will be facing in the next 10 to 15 years which worries me considerably. It might be called a social problem, and it is of vital importance to industry and government. It is finding enough jobs for our expanding labor force.

Will unemployment get worse?

Automation and changes in the age composition of the labor force will cause many economic dislocations.

In some cases unemployment will be the result; in others, critical shortages of workers may handicap certain industries.

All companies will have a greater abundance of young, educated talent available for junior management posts. This situation will partly offset the supervision problems posed by the dearth of middle-agers and the surplus of youthful workers. **END**



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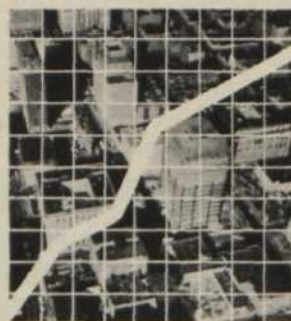
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GOVERNMENT

continued from page 41

Federal red tape strangles efforts to improve cities

while pushing the school bill year after year—that we have too few schools and that the teachers are too poorly paid. Every goal they set in Washington is actually being exceeded in the localities. In Delaware we've spent millions to improve the schools, and teachers' salaries are being met. As for colleges, I think there's money available for them on the local level."

Mr. Neilan feels the federal government has no business getting into urban transportation. He sees it as a move to turn the cities into federal dependencies. The citizens in Wilmington have found out, he says, that a professionally planned local citizens' redevelopment plan has a much better chance of getting things done than one that gets strangled in federal red tape.

"I don't think these grandiose subsidy programs come from the people," Mr. Neilan continues. "They're dreamed up in some government bureau and sold to the people to get Congress to espouse them. And while the politicians may not originate these schemes, they recognize that federal loans and grants can be used as political instruments of favoritism, reprisal and patronage, to control the judgment of urban voters.

"I think we're strangely confused these days by a lot of self-anointed Messiahs. It's a funny thing. You can take an idler off the courthouse bench and put him in the government and he gets a halo all of a sudden."

Nearly four years of straightening out bottlenecks in the Philadelphia Navy Yard during World War II left him with a horror of government waste and inertia, as well as of bureaucrats—civilian or uniformed.

Mr. Neilan joined the Navy in 1942 as a lieutenant. He immediately discovered that if the Navy found you could take care of responsibilities, it didn't hesitate to give them to you. He was saddled with multitudinous chores—outfitting the first of the landing ship units, issuing outgoing stores to combat ships, taking care of the entire submarine supply center at the Yard, and handling special projects—that is,

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Balanced budget is important goal, says National Chamber president

"all the headaches the skipper had in supply."

Under the fantastic regulations then in effect, Mr. Neilan found that in order to equip ships with radar, he probably would have to spend months in Washington, and even then might fail to wangle the authority. Luckily, he chanced on an administrative loophole that enabled him to cut red tape right and left and get the radar on the ships. Washington Naval inspectors expressed shock at such direct action but he wound up with a commendation. The Navy finally let him go in 1946, with the rank of lieutenant commander.

While many government career servants don't measure up to their responsibilities, he feels, some others seek and wield far too much influence.

"Never quote me as blaming the Kennedy or Eisenhower Administration for the big budget," Mr. Neilan says. "The creators of the budget are the career policy-makers. They lose in one session of Congress—or one year of an Administration—and they get it all back the next year."

He believes the decision to keep American troops in Korea and some other areas should receive a new, hard look because it admittedly doesn't add one iota to our defenses. He has long been cool toward many of the military and economic assistance programs and is in general agreement with the Clay Commission's critique of foreign aid.

Partisan politics holds no charms for Mr. Neilan. He says he chooses the man rather than the party and is a confirmed ticket-splitter. And he points out that he does not condemn all aspects of the Kennedy Administration. He thinks Robert McNamara is doing a fine job as Secretary of Defense, and has great admiration for the way the Treasury is handling debt management and the general internal revenue program.

Mr. Neilan, however, is critical of the Kennedy tax bill. He feels it "takes too great a chunk out of the tax base because it is concentrated in the lower brackets, and these

are not the investment areas. In writing the legislation Congress should pay more attention to the provisions which must be used to stimulate business."

During the past year Mr. Neilan served as chairman of the special Chamber committee on improving the federal budget set up at the request of President Kennedy. He has headed the Chamber's Government Operations and Expenditures Committee for three years. His studies of tax questions have convinced him that rate reform is only the first step in tax reform, that it is time for the government to find sources of revenue besides the income tax, as has been done in some European countries. Among areas to be considered, he believes, are turn-over taxes, value-added taxes and general excise taxes. The objective would be a better balanced tax structure which would not be so susceptible to the fluctuations of income.

Mr. Neilan does not insist that the federal government be run exactly like a business, but as a banker and citizen he is seriously concerned about the present public debt.

"If we get into another major conflict and blow up the debt by a trillion dollars I don't believe our dollar will survive," he says. "We should at least try to balance the budget. Every time you create another \$10 billion in our budget deficit, you add another \$300 million in interest charges on the debt to the next budget. That's simple arithmetic."

While Mr. Neilan worries about the number of unemployed, he does not regard automation as a villain. His Bank of Delaware is one of the most automated medium-sized banks in the country. Its computers can post and balance 21,000 savings accounts in minutes—an operation that previously took as much as six hours.

But he notes that the bank has only 10 fewer employees than it had when the row of machines started clicking a year ago.

"We give more service to our customers," Mr. Neilan emphasizes. "And we are helping provide

jobs for the people who service our machines and supply us with tapes—materials which we never bought before."

The savings in time and money through automation also are credited by the bank president with providing his employees with better salaries and fringe benefits.

"This is what a lot of people overlook: If this country hadn't had automation, automobiles would probably cost us two to two and a half times what they cost us today, and the sale of automobiles would be materially reduced," Mr. Neilan says.

"If the railroad brotherhoods would work half as hard to automate their equipment as they do trying to featherbed their jobs, the railroads would probably have half again as much business and more employees."

Mr. Neilan became a banker more or less by happenstance. His father gave him the gift of Irish gab, his mother inspired his gritty determination, and others along the way were glad to encourage his industry, imagination and natural ability.

Mr. Neilan's father, Peter, is the son of Irish immigrants. Now 82, he markets vitamins and minerals in Oakland, Calif. His mother was of English descent. He has three sisters: Mrs. Dallas Dyer, a widow, prominent insurance woman and president of the Houston Independent School District, of Houston, Texas; Miss Bernece Neilan, of Frederick Atkins, Inc., New York City, a buying office for department stores; and Mrs. Robert Milton, of Seattle, Wash.

Mr. Neilan was born on a farm in Mason County, Michigan. When he was six, the family moved to Leeds, Iowa, just outside Sioux City.

They moved next to Omaha, when the senior Neilan purchased a firm which showed commercials in movie houses; business proved so good he was soon investing in oil wells in Oklahoma and Texas.

When Mr. Neilan graduated from high school, the yearbook said: "Ed is a big, clever fellow with lots of brains, ambition and friends." He played the butler in the school play, while a classmate named Henry Fonda had to be content with sitting in the audience.

Ed went to the University of Omaha and lettered in basketball, but in his second year he had to quit and work as a carpenter's apprentice to help pay for his education. By this time his father had gone to the Southwest to find out

why his oil wells weren't spouting oil.

The family settled next in Houston. Mr. Neilan went to the University of Texas and Rice Institute, earning a bachelor of arts in business administration. He played six years of semipro football with the Houston Athletic Club.

Mr. Neilan thought he wanted to be a chemical engineer. But he made extraordinarily high grades in an economics course at Rice and, broke again in his senior year, found a part-time job in the investment department of the Houston Bank and Trust Company. He stayed with the bank after graduation and made plans to marry another Rice graduate, Julia (Judy) Ellen Motheral, the pretty, vivacious daughter of a Houston doctor.

Paul Timpson, the president of the bank, told Mr. Neilan he could add \$35 to his \$100-a-month salary if he gave up his lunch hour and spelled other employees while they went to lunch. This gave Mr. Neilan an unusual opportunity to learn every phase of the banking business.

He recalls that he was a pretty brash character at the time. For example, Mr. Neilan thought it was silly to have a wire mesh separating the cages containing signature cards and individual balances. It meant that he and the other teller had to go around the screen to consult one another's files. So he got pliers and a screwdriver one evening and took the wire down.

The treasurer, horrified, predicted that Mr. Timpson would fire him. But Mr. Neilan explained that he could handle customers twice as fast with the new arrangement and Mr. Timpson went along with the change.

"Before I left, I made a lot more changes," Mr. Neilan says. "And whenever I see an employee in our bank doing something the way it wasn't always done, I can understand it—and thank a wonderful old friend for not firing me."

Mr. Neilan furthered his knowledge of banking with night courses at the South Texas School of Law. He won numerous honors with a debating team representing the Houston Chapter of the American Institute of Banking. As top man in trust and management courses at AIB, Mr. Neilan was selected to be chief trust examiner in the Federal Reserve Bank at Dallas.

In 1936 he became a field examiner for the Fed in New York City and a year later moved to the Fed in Philadelphia. Since then he



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Can't afford it.

You can't afford not to. In a year's time you're bound to get at least one idea that can easily repay the entire cost of membership.

Don't see what good the organization does.

Of course you don't, not when you're on the outside. You don't see how members work to keep our industry moving ahead. You don't see any of the newsletters, bulletins or studies that report this progress.

I get the benefit anyway.

Only the crumbs. The real benefits go to members who see progress in advance . . . in time to take first advantage of it.

I don't want competitors prying into my business.

And they don't want you prying into theirs. But you can solve a host of problems together, like employee recruiting and education, dealing with government regulations, studying proposed legislation. Pooling effort and ideas is not a form of prying.

There's a start. Try these next time you're telling your association's membership story.

POINTERS FOR PROGRESS

through trade and professional associations



GOVERNMENT

continued

has participated in writing banking textbooks for AIB and aided AIB in extension of its program in graduate schools.

Working out of Philadelphia, Mr. Neilan made such an incisive analysis of the Security Trust Company in Wilmington that he was offered a job. Later, when he returned from the Navy, the bank made him vice president and secretary. In 1952 Security Trust was merged with the Equitable Trust Company in Wilmington under the name Bank of Delaware with Mr. Neilan as executive vice president. In 1956 he became president and in 1959 he became chairman of the board when the two jobs were merged.

Mr. Neilan's aggressive leadership has made the Bank of Delaware second only to the du Pont-oriented Wilmington Trust Company in the state. He remodeled

How budget cuts would affect the economy is a key question in the current budget battle. You'll find the answer in article on **page 38**

the bank's main building, opened branches, and made a travel agency part of the bank (it is now the largest agency in the state).

The bank has increased its net earnings and dividends per share every year for the past 10 years. Its net earnings after taxes in 1962 were \$1.9 million. There are 3,517 stockholders and no individual owns more than one per cent of the stock.

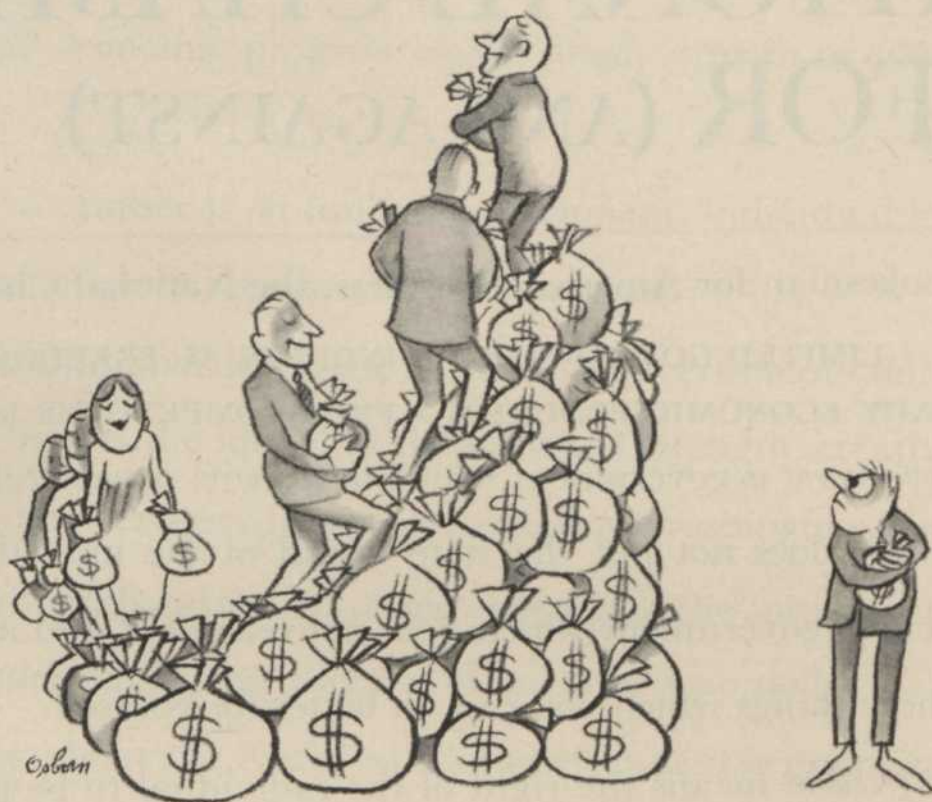
The main point Mr. Neilan drives home to his employees is that a bank is a service organization. Even the smallest depositor should feel it is a privilege to serve him. The president takes his telephone calls directly from the switchboard and the door of his office is always open. Hiding behind a secretary wastes time, he believes.

In 1961 the Wilmington Chapter of the Society for the Advancement of Management chose Mr. Neilan as manager of the year. Friend and associates say he has

(continued on page 112)

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3. Use one of the bank's low cost loans whenever you need a little extra cash. Paying the loan back as promised will do wonders for your credit reputation.

The rest comes naturally

Pretty soon, you'll find "they know you at the bank." And you'll find, too, that they're ready to help you grow financially in a dozen different ways—through advice on how to manage your income to credit references and a good credit rating.

Most important of all, they're ready to help you by lending you money at low bank rates for any useful purpose. The slightly lower earnings you may get on your savings are usually more than offset by lower rates on loans. In short, many people do their *saving* at a Full Service commercial bank so they can do their *borrowing* easier and less expensively from the same bank.

If you haven't already decided on a Full Service bank as your "financial partner," it isn't too early to start *right now*.



Your Full Service
Commercial Bank

WHAT THE NATIONAL CHAMBER IS FOR (AND AGAINST)

As the spokesman for American business, the National Chamber is for:

LIMITED GOVERNMENT • INDIVIDUAL FREEDOM

• STEADY ECONOMIC PROGRESS • FREE COMPETITIVE MARKETS

Limited government is government which derives its power from the people—and which does not put the state ahead of the individual. Limited government is government which does not reach out and attempt to do for you those things which you can do better for yourself.

Individual freedom means the right of the individual to be a responsible citizen, to make his own decisions, to own property which he has honestly acquired, to be ambitious and creative.

Free competitive markets are markets which operate under the law of supply and demand, and not under a government-planned economy.

Steady economic progress means keeping the economy growing and expanding, creating new job opportunities for all those who want to work and who are able to work, and keeping our high level of living steadily moving upward.

It does not mean continuous deficit spending by the government on projects and programs which are largely non-productive. It does not mean

taking so much money away from the people in the form of taxes, that they have little or nothing left over to invest in needed new plants, tools, research and productive equipment—and no incentive to take risks in business. Steady economic progress means steady growth in actual productivity.

The National Chamber is *for* limited government, individual freedom, free competitive markets, steady economic progress.

Therefore, the Chamber is *against* increasing government controllism. The Chamber rejects the idea that the source of strength, creativity and progress lies in an overcentralized government in Washington, burdening the people with confiscatory taxation—spending the nation into fiscal chaos—and undermining the integrity of the American dollar.

For information about the National Chamber, how it is organized, how its policies are established, and how it works in behalf of private business and in the long-range good of the country, write:

THE STRENGTH BACK OF THE NATIONAL CHAMBER

The National Chamber is a federation of more than 3,900 voluntary organizations of business and professional men—and more than 30,000 business firms, corporations and individuals. The National Chamber has an underlying membership of more than 3,000,000 individuals and firms—the members of its affiliated organizations.

CHAMBER OF COMMERCE OF THE UNITED STATES



Washington 6, D.C.

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GOVERNMENT

continued

terrific executive ability. What is the secret of his success?

"It's very simple," he says: "You get good boys, give them reasonable training and turn 'em loose."

Mr. Neilan has devised ways of making even the youngest of his 75 officers part of the bank's decision-making process. Every year he asks all officers to vote secretly for the seven officers other than themselves who they believe have done most for the bank's progress. Then he asks the winners to make recommendations for changes in the bank. He has adopted at least a dozen of the recommendations.

Though he is an expert on the management of money, Mr. Neilan remarks thoughtfully: "I've never had any affection or affinity for money. I've always just wanted to work at something I could get satisfaction out of—and something my wife and I enjoy."

He lives unpretentiously, never gambles, rarely takes a drink, and does not smoke. He drives a relatively inexpensive car and lives at Holly Farm, his comfortably rustic retreat at Bear, Del., less than a 30-minute drive from his office. At home he catches up on his reading, swims in suitable weather in his 50-foot tank, or just loafs, enjoying the rambling 200-year old farmhouse filled with antiques.

Because the Neilans' life is so full they thought hard before he accepted the nomination to be president of the Chamber. Mr. Neilan and to some extent his wife are loaded down with membership on a long list of business, civic and philanthropic organizations. Among many other things, he served as chairman of the new Greater Wilmington Development Council for the past two years and is given much credit for getting it off the ground. He has been a director of the National Chamber since 1959.

In the end, Mr. Neilan's board of directors assured him that the presidency of the Chamber would be an honor for the bank and for the state. As president, Mr. Neilan says he hopes to keep his speech-making to a minimum but his wife is skeptical about that.

"I think he's a Don Quixote," she explains. "He's always tilted at windmills. And he wouldn't have taken the job if he didn't think he could convince a few people of some things in the next year."

—PAUL F. HEALY

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protects the names you know

A C-O-Two carbon dioxide fire extinguishing system protects Trans World Airlines "Simulator Training Rooms" at TWA Building, Kansas City, Missouri. Here, completely equipped plane cockpits, called simulators, are used to train pilots and crews by electrically simulating conditions and navigational situations encountered in actual flight. Should fire occur, the 96-cylinder C-O-Two System, which has both automatic and manual controls, can flood training rooms, simulator interiors, and electronic computing and charting equipment.

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Cockpit of TWA simulator. In event of fire, crew has 60-second warning to evacuate before carbon dioxide is released.



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TO CREATE PROSPECTS...**

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WASHINGTON SLEPT HERE • 3

Washington—your federal city—has the largest number of municipal employes in the country among cities of comparable size.

The Commerce Department gathered statistics that show:

Washington's sanitation department employs 2,515 men. This compares with the national average of 987.

Washington's highway department employs 1,366, compared with the national average of 568.

Washington's police department, which seems to have more problems than it can cope with, cannot count personnel among these. Its authorized strength is 3,033. National average: 1,721.

And so on.

That's how Washington takes care of its own affairs.

Want it to take care of your city?

Nation's Business • May 1963

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Here is engine durability
that is backed with dollars:
full cost of replacement parts
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50,000 miles, sliding scale thereafter.

A world of dependability is built into Ford Super-Duty engines. In fact, should any major part fail in 100,000 miles, your Ford Dealer will get you rolling again *fast*—no charge for parts; no labor charges for 50,000 miles! And this warranty protection

is automatic, whether you buy one truck or 100. Find out how Ford's durability and reliability can benefit your firm—call your Ford Representative!

FOR 60 YEARS THE SYMBOL OF DEPENDABLE PRODUCTS



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100,000-MILE

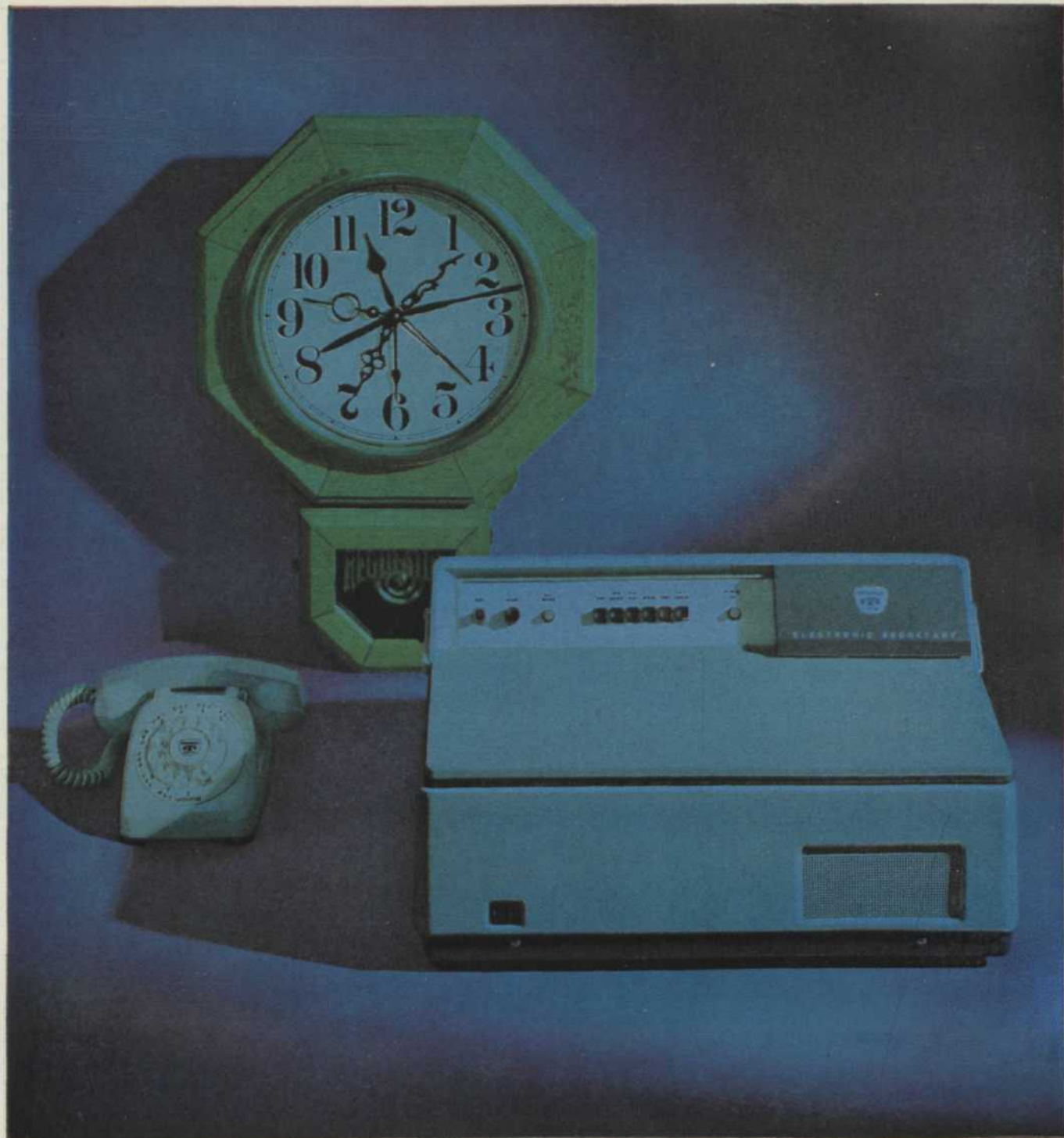
Ford Motor Company warrants to its dealers who, in turn, warrant to truck owners each 401-, 477-, and 534-cu. in. Super Duty engine for 100,000 miles, 24 months, or 3,000 engine hours, whichever occurs first. Ford Dealers will replace all major engine parts (including block, heads, crankshaft, valves, rings, pistons) found defective in material or workmanship. The warranty covers full cost of replacement parts during the entire warranty period, plus full labor costs for 50,000 miles or 1,500 hours and a sliding scale thereafter during the first 24-month period.

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Ford Motor Company warrants to its dealers, and its dealers in turn warrant to owners, as follows: That for 24 months or for 24,000 miles, whichever comes first, free replacement, including related labor, will be made by dealers of any part with a defect in workmanship or materials. Tires are not covered by the warranty;

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